Credit

AND FINANCIAL MANAGEMENT

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FAMOUS AMERICAN HOMES

Wolfert's Roost to Sunnyside

IN THE YEAR 1650 Wolfert Eckert built a little gabled house about twenty-five miles from old New Amsterdam on the eastern bank of the lordly Hudson where it widens into Tappan Sea. He was a doughty compatriot of "Old Silver Leg" (as Peter Stuyvesant was called) and longed for a place where he might live and die in peace; so he built the snug little retreat, inscribing in a panel over the door the Dutch motto "Pleasure in quiet," which soon resulted in the place being called "Wolfert's Rest" by his Dutch neighbors. English settlers in the vicinity noting that Wolfert was a hen pecked husband, laughingly referred to the house as "Wolfert's Roost," which name has clung to the memory of the quaint little abode to this day.

During the Revolution, when Jacob Van Tassel lived at "Wolfert's Roost," it stood between the British and American lines. The stalwart Jacob pierced its walls with loopholes and it became the rendezvous of a company of husky farmer lads known as "Land Scouts." As the "Roost" had been marked by the British for special punishment, it later fell into the enemy's hands and was burned to the ground. After the war, Jacob returned and rebuilt the "Roost."

In 1835 Washington Irving, the author who loved the neighborhood which he had made the background of many of his delightful stories, purchased the "Roost" and remodeled it from the simple Dutch cottage into the elaborate American country seat where Louis Napoleon, later Emperor of France, called to pay his respects. Thus came into being "Sunnyside," the home of Washington Irving, its walls heavy with ivy that grew from slips culled from the rugged stones of Melrose Abbey by Sir Walter Scott. "Sunnyside" has been aptly called the Stratford-on-Avon of America.

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AND FINANCIAL MANAGEMENT

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Selling Accounts Receivable

An outstanding credit development during the past decade has been the rise of personal finance business, financing the consumption wants of the American public. The record in this field has, in general, been increasingly favorable. To be sure, there were certain abuses and some unhealthy installment selling. But on the whole, the more-seasoned firms have developed and maintained sound guiding principles in the expansion of credit.

There is, however, another matter of great interest to credit executives: the growth of the practice of selling accounts receivable. It is now quite generally recognized that this can be either a potentially strong influence for better business or a significant factor in developing business maladjustment.

Credit executives throughout the country are in rather general agreement that, where the sale of receivables is contemplated or accomplished, some type of general notice to creditors of the firm selling its accounts must be available. They feel that the broad principles of the bulk sales laws, as sponsored successfully in *every* state by this Association, should apply.

Accounts receivable, sold without recourse, are not reflected in a balance sheet. Nor is there legal requirement of notice before or after such sale. And since knowledge of this type is important in credit management, the credit fraternity is determined to have sound legislation to regularize notice to creditors when sale of accounts receivable is intended or contemplated.

The National Association of Credit Men recognizes the need for a broad agreement in thought, approach, and action in legislation affecting the sale of accounts receivable. It intends to hold such conferences as will be necessary to make possible a proper legislative program. Legislation resulting from these representative meetings of all interested groups should produce less misunderstanding about its objective—the protection of creditors' interests—as well as a sound solution in the interest of equitable business relationships.

Executive Manager, N.A.C.M.

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The Law of Credit Frauds

What the Statutes Call Misrepresentation

By Herbert E. Armstrong, Attorney, Rutherford, N. J

A storekeeper's shelves are stocked with a variety of goods which may represent a value of many thousands of dollars. All of these goods, except those on consignment or conditional sale, are owned by this storekeeper; he has title to them. Yet, the manufacturers and wholesalers who sold some of the goods have not been paid. They have received the buyer's promise to pay at some future date. The only evidence of the buyer's promise is a notation in the books of account of the seller, under accounts receivable, that this buyer owes a particular sum for certain goods shipped to him on credit. This is commercial credit; it is the procuring of goods, services, or other values with time in which to pay for them.[1]

The financial condition, moral character, and business abilities of merchants are factors which vary from one merchant to another; there is no duplication. The three elements of capital, character, and capacity are the factors which constitute the standard whereby every applicant for credit is measured as a credit risk.[2]

The element of capital is perhaps the easiest one of the three to be measured, the other two are more intangible. The fact that the element of capital can be measured leads to the importance of written financial statements.

The person who sells on credit will generally be cautious enough to make an investigation of the extent to which he can safely extend credit to a particular buyer. The buyer may make certain representations as to his financial condition.

Both the cautious seller and the imprudent one will sometimes suffer losses in extending credit to fraudulent buyers. The defrauded seller may resort to an action of deceit or a suit for restitution as his remedies.

Remedies Under the Law

The circumstances may be such that the defrauded seller may wish to maintain an action whereby he can get a specific recovery of the goods obtained from him by the fraud of the buyer. The seller would pursue such a remedy when all or a large part of the goods are in the possession of the buyer or a third party who is not a bona fide purchaser for value.

A specific recovery, when obtainable, is more desirable than an action for the price on the contract or an action for deceit since a buyer who has bought goods by fraud is probably insolvent and is very likely to become bankrupt or to make a composition with his general creditors. Although the seller on a specific recovery will not get his expected profit on the sale, he at least gets a recovery that is more nearly complete than a judgment would be for the price or for damages against an insolvent.

When goods are sold on credit by the fraudulent inducements of the buyer, the transfer of the property is with the seller's assent and the title passes to the buyer.[3] The buyer's title is voidable[4] since the seller may regain his title by rescinding the contract and bringing an action for trover[5] or replevin.[6]

Replevin Action Best

As between recovery under the action of replevin and under the action of trover, the former will generally provide the better remedy for a defrauded seller who has sold goods on credit. The action of replevin lies for the specific recovery of personal property[7] and a judgment in such an action runs against the property specifically identified by the seller as being in the wrongful possession of the fraudulent buyer. An action of trover lies to recover the full value of specific personal property converted by the defendant to his own use and the damages by their conversion.[8] Since insolvency of the buyer is a circumstance that generally accompanies his fraudulent acts in obtaining goods on credit, a judgment running against specific property for its return to the defrauded seller, as in replevin, is more desirable for the seller than a judgment in trover against the probably insolvent buyer against whom an execution and levy on his property will not reimburse the seller in full for his damages.

Upon bringing his action for restitution, the defrauded seller thereby serves notice of his election to rescind. An essential of the right of rescission is a restoration of the parties to their situation as existing before the contract.[9] This requirement is justified when it does not operate unfairly to either of the parties. In many transactions for the sale of goods on credit, the seller will be unduly damaged if he is required to return to a fraudulent buyer

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[1] From a conversation with Mr. Mason Barlow, formerly president of The Credit Clearing House, New York City.

[2] Brewster, *Legal Aspects of Credit*, p. 93.

[3] Williston, *Sales* (2d ed.), sec. 567.

[4] Id., sec. 648.

[5] Atlas Shoe Co. v Bechard, 102 Me. 197; 66 Atl. 390 (1906); Thurston v Blanchard, 39 Mass. 18 (1839).

For the present status of the action of trover see Warren, *Trover and Conversion*, at 2, where he states, "In most jurisdictions at the present time there is no action of trover. * * * Trover has had its long day, and the usual situation now is that a plaintiff brings, not an action of trover, but an action of tort for a conversion."

[6] P. Cox Shoe Mfg. Co. v Adams, 105 Iowa 402; 75 N. W. 316 (1898); Thurston v Blanchard, 39 Mass. 18 (1839); Gitterman & Co. v Lynn Modern Shoe Co., 87 N. H. 335; 179 Atl. 351 (1935).

[7] Shipman, *Common Law Pleading* (3d ed.) sec. 49.

[8] Warren, op. cit. supra note 5, at 29.

[9] Williston, op. cit. supra note 3, sec. 645.

the partial payments that the buyer may have made for the goods.

Made Best of Bad Bargain

The seller should be permitted to rescind the sale as to the value of the goods remaining unpaid at the time when the fraud is discovered.[10] Although such procedure would be contrary to the rule that a contract can be rescinded only as to the whole and not as to a part,[11] nevertheless, full justice is done to the parties; the fraudulent buyer retains and gets the benefit of the goods for which he has paid and the seller receives his price for the goods up to the payments received; and by allowing the seller to rescind as to the balance and recover those goods representing that balance, both he and the buyer are restored to their status quo before the contract.

In an action of replevin for the return of goods obtained by fraud, no demand is necessary upon the party so obtaining the goods.[12] This modification of the conditions which are prerequisites to the action is an adaptation of the usually strict common law to the actualities existing in a fraudulent purchase on credit.

Whatever may be the reasons behind the requirement of demand and refusal, that requirement can reasonably be dispensed with when a defrauded seller commences an action of replevin against a buyer who has obtained goods on credit by fraud. Such a buyer will not ordinarily heed a demand and return the goods inasmuch as his object is to cheat the seller.

This is the first of two articles by Mr. Armstrong on the Law of Credit Frauds. The second article will appear in the February issue and will deal with the aspects of credit fraud where a financial statement has been issued either direct to a creditor or to a credit rating agency for the purpose of establishing credit.

Demand Not Necessary

Therefore, in the great majority of such cases, a demand would be merely a meaningless formality and furthermore it would warn the buyer and give him time to dispose of and to conceal the goods. The few cases in which the fraudulent buyer would return the goods upon the seller's demand do not justify a continuation of a formality which in the larger number of situations would not operate in a manner to provide any substantial benefit to the parties.

Since the title to property obtained by a fraudulent purchase is merely voidable when it is in the purchaser,[13] the defrauded seller's right to specifically recover the goods may be completely lost if before the seller rescinds, the buyer should resell to a bonafide purchaser for value without notice. Such a sale vests in the bonafide purchaser an indefeasible title.[14]

The seller, as a creditor of the fraudulent buyer, does not suffer any diminution in his rights or remedies because of an assignment of the goods to a third party who does not give value therefor[15] or because of a general assignment for the benefit of creditors; the assignee's title to the goods being no better than that of his assignor.[16]

The remedy of rescission and specific recovery was originally available only in equity but with the extension of law into fields of jurisdiction formerly held by equity this remedy is ordinarily allowed by courts of law. When the remedy there is inadequate, resort may be had to a court of equity.[17] There have been situations where the seller who has been induced to sell by the fraud of the buyer cannot get a complete remedy without the aid of a court having equity powers. Such a situation arises where the buyer has sold the goods to sub-vendees before rescission by the seller and the sub-vendees have not paid the buyer at the time the seller elects to rescind the sale from him to the buyer.

Law as to Third Parties

The goods in the hands of sub-vendees could not be replevied since an indefeasible title has become vested in the sub-vendees as bonafide purchasers for value without notice and, of course, no action on the contract nor in deceit could be maintained against any of them as they were not parties to the contract nor to the fraud. The only legal remedy left to the seller is to proceed on garnishment proceedings against each sub-vendee individually as a debtor of the seller's vendee. If the seller proceeded in this manner, he would have to carry on a number of suits. To avoid the burdens and hazards of a multiplicity of suits at law, the seller may proceed in equity and get his remedy there through the power of the equity court to declare a constructive trust on the proceeds of the sales in the hands of the fraudulent vendee or his general assignee for the benefit of creditors.[18] Upon a replevy of the goods, it may frequently happen that a portion of the goods have gone out of the possession of the vendee and beyond the reach of a writ of replevin. In maintaining his action of replevin the seller has proceeded as upon a rescission of the whole contract and having elected to rescind, he cannot recover damages in deceit for goods not recovered in the replevin action; he is allowed a remedy in an action for conversion[19] or in quasi contract[20] for the value of goods which he cannot reach. The real worth of a judgment in either of those actions would not be very substantial in most cases, for a money judgment against a fraudulent buyer would frequently be worth-

[10] John V. Farwell Co. v Hilton, 84 Fed. 294, (Circ. Ct. E. D. Wis., 1897); Sisson v Hill, 18 R. I. 212; 26 Atl. 196 (1893); Friend Bros. Clothing Co. v Hulbert, 98 Wis. 183; 73 N. W. 784 (1898); see Kingman-Moore Implement Co. v Ellis, 125 Mo. App. 692, 696; 103 S. W. 127 (1907).

[11] Williston, op. cit. supra note 3, sec. 647.

[12] Thurston v Blanchard, 39 Mass. 18 (1839); Koch v Lyon, 82 Mich. 513; 46 N. W. 779 (1890); Reeder v Moore, 95 Mich. 594; 55 N. W. 436 (1893).

[13] Williston, op. cit. supra note 3, sec. 648.

[14] Peninsular Stove Co. v Ellis, 20 Ind. App. 491; 51 N. E. 105 (1898).

[15] Nashville Grain & Feed Co. v American Co-op. Assn. 203 Ky. 458; 262 S. W. 634 (1924).

[16] Bussing v Rice, 56 Mass. 48 (1848); Koch v Lyon 82 Mich. 513; 46 N. W. 779 (1890).

[17] Williston, op. cit. supra note 3, sec. 647.

[18] American Sugar Refining Co. v Fancher, 145 N. Y. 552; 40 N. E. 206 (1895); Converse v Sickles, 146 N. Y. 200; 40 N. E. 777 (1895); cf. Dalrymple v Randall, 144 Minn. 27; 174 N. W. 520 (1919).

[19] Farwell v Myers, 64 Mich. 234; 31 N. W. 128 (1887).

[20] See Whitaker Mfg. Co. v Barber, 181 Ark. 1106, 1109; 29 S. W. (2d) 288, 289 (1930).

less;[21] as the buyer resorts to fraud when he does not wish to disclose or represent his true financial condition which, in the majority of such cases, is that of insolvency.

Stoppage in Transitu

At common law [22] and under the Uniform Sales Act,[23] a seller has the right of *stoppage in transitu* of goods in process of transportation from the seller to an insolvent buyer, thereby regaining his title to the goods. The occasions on which this right may be exercised are limited by certain prerequisites: (1) there must be an unpaid seller; (2) the title to the goods must have passed; (3) the goods must be in transit from the seller to the buyer; (4) the buyer must be insolvent, and (5) a resale of the goods by the buyer must not have cut off the right.[24] There is no requirement that the sale must have been induced by any fraudulent acts of the buyer; he need only be insolvent.[25] Although the time within which the right may be exercised, namely, the time of transit from the seller to buyer, is relatively short, nevertheless, the right is a valuable and substantial one since a seller might receive reports as to the buyer's insolvency in the several days in which a shipment of goods will take in moving to the buyer's place of business and the seller can exercise his right until transit ceases.[26]

In most sales on credit, the seller will make some sort of inquiry as to the financial responsibility of the buyer. A buyer whose financial situation is not sound is tempted to make false statements or misrepresentations which will induce the seller to extend credit believing that the buyer's condition, as represented, is such that the goods sold will be paid for on the usual credit terms. After the goods have been shipped and upon discovery of the fraud, the seller has among his available remedies an action for fraud and deceit.[27]

Misrepresentation of Fact

As deceit lies for misrepresentation of fact, the court in Lyons v. Briggs [28] held that the seller cannot recover damages in that action if he has been misled by an expression of opinion by the buyer as to his financial condition. The courts would be acting on a sound basis if they would make a strict construction of the statements a defendant claims to be opinion; that is, construe the expression as being a statement of fact.

Let sellers profit by the ruling of the court in Lyons v. Briggs and secure factual information from the prospective buyer on credit and from such information, make their own conclusions as to whether or not the buyer is a person of good credit.

A person who makes representations as of his own knowledge cannot escape liability in an action for deceit by pleading that he did not know that the representations were untrue.[29]. He who speaks in ignorance of the real facts must suffer. Holding such a person liable, the court in Hadcock v. Osmer said:

> "Where a party represents a material fact to be true to his personal knowledge, as distinguished from belief or opinion, when he does not know whether it is true or not, and it is actually untrue, he is guilty of falsehood, even if he believes it to be true; and if the statement is thus made with the intention that it shall be acted upon by another, who does so act upon it, to his injury, the result is actionable fraud."[30]

The purpose of the action of deceit is to recover for the damages caused by the buyer's fraud. The recovery is in the form of a money judgment which, as has been pointed out above, is dependent upon the solvency of the buyer for its actual worth when an execution and levy are made thereon.

Action for Deceit

In some instances, however, an action for deceit may give to the seller a full and actual recovery for damages caused by fraudulent representations as to the buyer's credit standing. One such instance is where an officer of an insolvent corporation makes false statements as to the corporation's financial condition so as to induce the sale of goods to it on credit.[31]. Whereas the corporation itself is insolvent and a judgment against it would therefore be of doubtful value, the officer who made the false statements may be made the defendant in an action of deceit and as it is quite possible that he is solvent, there may be full satisfaction of the judgment by execution and levy upon his property.

If the buyer has obtained a sale of goods on credit by making a materially false statement in writing respecting his financial condition, the debt created by such a purchase of goods is one which will not be discharged in bankruptcy proceedings upon opposition to a discharge by the trustee or the creditor-seller.[32] Although the debt

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[21] Emphasis has been placed on the point that a money judgment is not as likely to give the seller as complete satisfaction as a specific recovery by way of replevin. In practice, one must bear in mind the costs incident to recovery in replevin after possession of the goods is awarded to the seller. These costs may be transportation charges back to seller's warehouse or to a new buyer; losses due to intervening style or model changes; losses due to shop wear; or costs of repacking.

[22] Williston, op. cit. supra note 3, sec. 518.

[23] Sec. 57—"Subject to the provisions of this act, when the buyer of goods is or becomes insolvent, the unpaid seller who has parted with the possession of the goods has the right of stopping them in transitu, that is to say, he may resume possession of the goods at any time while they are in transitu, and he will then become entitled to the same rights in regard to the goods as he would have had if he had never parted with the possession."

Up to January 1, 1938, the Uniform Sales Act has been adopted in thirty-two states and also Alaska and Hawaii. 1 U. L. A., 1937 Supp. p 5.

[24] Williston, op. cit. supra note 3, sec. 520.

[25] Coleman v New York, N. H. & Hartford R. Co., 215 Mass. 45; 102 N. E. 92 (1913).

[26] Section 58 of the Uniform Sales Act specifies when goods are in transit.

See Lynch Davidson & Co. v Denman Lumber Co., 270 S. W. 225 (Tex. Civ. App. 1925) (not officially reported) where stoppage in transit was effected sixteen days after shipment. In Weyerhauser Timber Co. v First National Bank, 150 Ore. 172; 43 Pac. (2d) 1078 (1935) lumber was delivered to the carriers, intercoastal steamers, between February 15 and February 27, 1932 and on March 5, 1932 the buyer made an assignment for benefit of creditors on which date the lumber was on board ships in course of transit to the Atlantic Coast of the United States; stoppage was made effective. In Kasden v N. Y., N. H. & Hartford R. Co., 104 Conn. 479; 133 Atl. 573 (1933) the seller sold goods in course of transit to its place of business and received knowledge of buyer's insolvency on the Sunday following the Saturday on which the sale was made. Stoppage was effected by the seller upon giving notice to the carrier on Monday morning.

[27] Krolik v Lang, 187 Mich. 286; 153 N. W. 686 (1915); Brown-Wales Co. v Barber, 88 N. H. 103; 184 Atl. 855 (1936); Swift v Rounds, 19 R. I. 527; 35 Atl. 45 (1896); International Shoe Co. Inc. v Berick, 55 R. I. 333; 181 Atl. 297 (1935).

[28] 14 R. I. 222 (1883).

[29] Hadcock v Osmer, 153 N. Y. 604; 47 N. E. 923 (1897); cf. Morimura, Arai & Co. v Taback, 279 U. S. 24; 49 Sup. Ct. 212 (1928).

[30] Hadcock v Osmer, 153 N. Y. 604, 608; 47 N. E. 923 (1897).

[31] Brown-Wales Co. v Barber, 88 N. H. 103; 184 Atl. 855 (1936); Jamestown Iron & Metal Co. v Knofsky, 291 Pa. 60; 139 Atl. 611 (1927).

[32] 44 Stat. 246 (1926); 11 U. S. C. Sec. 32 (1927)

"(a) Any person may * * * subsequent to being adjudged a bankrupt, file an application for a discharge in the court of bankruptcy in which the proceedings are * * *

"(b) The judge shall hear the application for a discharge * * * and investigate the merits of the application, and discharge the applicant, unless he has * * * (3) obtained money or property on credit, or obtained extension or renewal of credit, by making or publishing, or causing to be made or published, in any manner whatsoever, a materially false statement in writing respecting his financial condition; * * *".

Gilpin v Merchants' National Bank, 165 Fed. 607 (C. C. A. 3d 1908); In re Kyte, 174 Fed. 867 (M. D. Pa. 1909); Woolen Corp. of America v Gitnig, 33 Fed. (2d) 259 (C. C. A. 3d 1929); In re Rosenfield, 1 Fed. Supp. 924 (W. D. N. Y. 1932).

survives the bankruptcy proceedings, some affirmative action on the part of the creditor-seller is necessary thereafter if he hopes to recover. A voluntary payment by the recent bankrupt is improbable. The creditor-seller can maintain an action for damages.[33] Here, again, a judgment for the seller will not prove to be valuable. After the bankruptcy proceedings, the bankrupt will have little, if any, property subject to levy and execution and any property that he might acquire subsequent to bankruptcy, he will take title thereto in such a manner as to put it beyond the reach of his creditors.

Specific Representations

The usual practice among wholesalers and manufacturers who sell to retailers or distributors on credit is to require a written and signed statement from them showing informative details of their financial condition, or the manufacturer or wholesaler may refer to the prospective buyer's credit rating as reported by the credit reporting agencies. These agencies publish manuals at various times throughout the year, usually quarterly, and list therein the names of buyers with the agency's rating set opposite. They also furnish special reports, on request, to their subscribers and in such a report a copy of the merchant's financial statement is usually included.

If the buyer makes material, false representations, knowing them to be false, directly to the seller who, in reliance thereon, sells goods on credit, the buyer has committed a fraud which entitles the seller to take legal action to recover damages which he may have suffered[34] or to recover the goods[35] or their value.[36] The rights and remedies of the defrauded seller for the direct misrepresentations of the buyer are well settled.

Many sellers of goods on credit do not receive representations directly from the buyer as to his financial standing. These sellers frequently rely on the reports of the credit reporting agencies which receive financial statements from thousands of merchants in every trade and business throughout the country. It is by no means rare that a merchant misrepresents his financial condition so as to secure a favorable credit report by the agencies to which he sends a statement.

About Agency Statements

If a merchant makes a false financial statement to a mercantile agency as a basis for credit and a seller relying on the agency's rating or on a copy of the statement sells goods on credit and suffers a loss thereby, to what extent is the merchant liable to that seller for misrepresenting his financial responsibility?

Mercantile agencies have earned for themselves a definite and important role in commerce as collectors and suppliers of credit information. Their function is well recognized by buyers and sellers. False representations made to a mercantile agency, with the intention that another party may act in reliance thereon, are actionable in favor of such a party even though the representations were not specifically intended for the particular person who acted upon them to his injury, if such person is deemed to have been within the reasonable contemplation of the party making the false representations and therefore had the right to rely upon them.[37] This principle is applicable not only to a seller relying on a mercantile agency report but it is also applicable to the seller who is associated with or is in some close business relationship with the party receiving the false representations.[38]

When the seller secures credit information from a mercantile agency with respect to a particular buyer, there are situations wherein the liability of the buyer for supplying false information may be questioned. The buyer may supply credit information to the agency or the agency may secure such information by its independent investigations. The situations referred to are:

(1) Buyer supplies information to agency and refers seller to agency for a rating.
(2) Buyer supplies information and seller refers to agency of his own accord.
(3) Buyer supplies no information to agency but refers seller to agency's rating.
(4) Buyer supplies no information and seller refers to agency's rating of his own accord.

Liable for Misrepresentations

If, as in the first situation, a buyer refers his seller to a mercantile agency, the buyer must be held responsible for any misrepresentations of his financial condition which he has made to the agency, which, in turn has supplied that information to the seller either in the form of a copy of the financial statement or in the form of a rating indicating the financial responsibility of the buyer. By reference to the agency, the buyer must be held to approve and adopt its rating and to intend that the seller should rely on the rating or financial statement. The seller will have the same remedies as though the representations were made directly to him.[39]

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[33] Friend v Talcott, 228 U. S. 27; 33 Sup. Ct. 505 (1913). No action on the contract can be had after discharge; Ford v Blackshear Mfg. Co., 140 Ga. 670; 79 S. E. 576 (1913).
[34] See cases cited supra note 27.
[35] See cases cited supra note 6.
[36] See cases cited supra note 5.

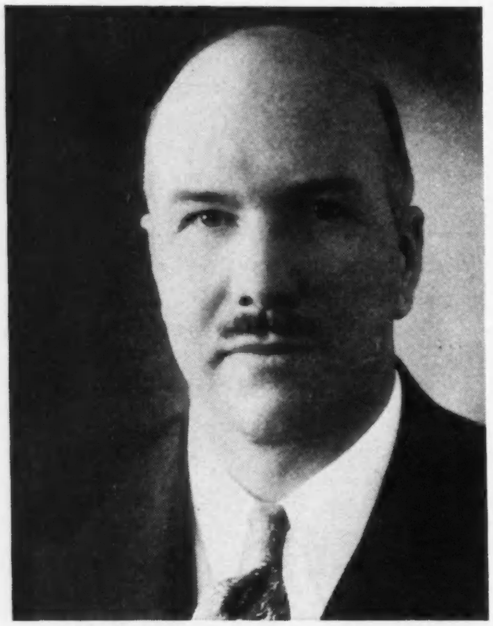
[37] Eaton, Cole & Burnham Co. v Avery, 83 N. Y. 31 (1880); Tindle v Birkett, 171 N. Y. 520; 64 N. E. 210 (1902); Stevens v Ludlum, 46 Minn. 160; 48 N. W. 771 (1891). In Jamestown Iron & Metal Co. v Knofsky, 291 Pa. 60; 139 Atl. 611 (1927), the party relying on a mercantile agency report was allowed a recovery even though he was not a subscriber to the agency's reports.
[38] Henry v Dennis, 95 Me. 24; 49 Atl. 58 (1901).
[39] P. Cox Shoe Mfg. Co. v Adams, 105 Iowa 402; 75 N. W. 316 (1898) (replevin); Hiller v Ellis, 72 Miss. 701; 18 So. 95 (1895) (replevin); Jamestown Iron & Metal Co. v Knofsky, 291 Pa. 60; 139 Atl. 611 (1927) (deceit).

Trends in Trade Outlets

What Census Figures Show on Distribution

By H. N. Engle, Assistant Director, Bureau of Foreign and Domestic Commerce

The distribution structure has been likened to a flood control system which provides a series of reservoirs created by building dams at strategic points between the source and the mouth of a stream. Production of goods is the source. Wholesalers may be likened to the primary dams which hold in reserve the surplus outpouring of industry and release it in the flow of commerce as demand comes from retailers. Retailers provide the final series of dams which hold some goods in reserve but are chiefly concerned with speeding the flow of goods into consumption. Retailing is the contact point with consumers for the goods manufacturers produce and wholesalers sell.



Mr. Engle Portends Types of Future Stores

Three censuses of retail distribution now reveal the tremendous scope of retailing and provide a basis for comparison with other industries. Additional research by such agencies as the Federal Reserve Board, Federal Trade Commission, Bureau of Foreign and Domestic Commerce, universities, trade associations, and business research agencies provide additional details about the retailing structure and how it operates. A brief sketch of the broad picture of retailing over the past decade based on the facts now available may be of interest in view of the great importance of retailing to manufacturers, wholesalers, and consumers alike.

Casualties of Depression

In 1929, a million and a half stores did some $49 billion of business, affording occupation to a million and a half proprietors and some 4,500,000 employees. In the course of the depression, this retail army suffered heavy casualties. Business fell off by 50 per cent, and a million people lost their jobs by 1933. By 1935, there was substantial measure of recovery which has continued, with some interruption last year, up to this date. Our monthly sales data indicate that the current trend is definitely upward.

That is good news for the manufacturer and the wholesaler since an upswing in demand for consumers' goods first makes itself felt at the retail contact point before it is passed back along the line to wholesaler and manufacturer. The immediate future, therefore, appears brighter for fabricator and distributor insofar as improved retailing outlook is a gauge.

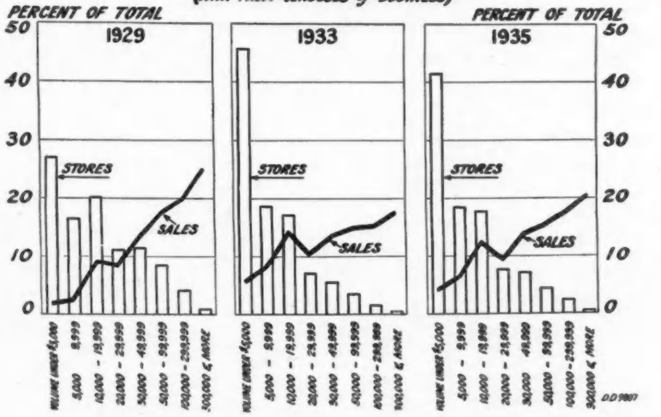
During the past decade, there have been changes in the structure of retailing that should prove of more than passing interest to producers and distributors, among which the change in average size of store appears very significant. From an average volume of nearly $32,000 in 1929, there was a slump to an average of but $16,000 in 1933, and a recovery to about $20,000 by 1935. This decrease in the average size of retail outlet caused by a large increase in total number of stores has been accompanied by an increase in large scale retailing, which has, however, been unable to stem the tide and keep the average for all stores from falling. These general statements need modification at a number of points in the interest of clarity.

Personnel Decline Is Less

First, changes in dollar sales do not represent a corresponding change in the actual physical volume of goods handled because part of the difference was due to price changes. Existing retail price indexes cannot be used to determine the exact amount of change due to that factor with any degree of accuracy but we know that it was significant. The decline in retail personnel was much less than in sales, which fact in itself is evidence that the physical job of retailing remained larger than the sales drop indicated. Furthermore wholesale prices declined and retail prices usually follow sooner or later. To illustrate, wholesale grocery dollar sales fell off by 44 per cent between 1929 and 1933. Price declines were responsible for three-quarters of the loss, as physical volume fell off by only 11 per cent.

In the second place, average sales conceal the variation within the different size groups. In 1929, nearly one percent of the retail stores accounted for twenty-five percent of the total sales, with average sales per store of $815,492. This group included only those stores with sales of $300,000 or more each. At the other extreme, stores with sales of less than $5,000 each per year made

STORES & SALES BY SIZE OF BUSINESS GROUPS
1929-1933-1935
(DATA FROM CENSUSES of BUSINESS)

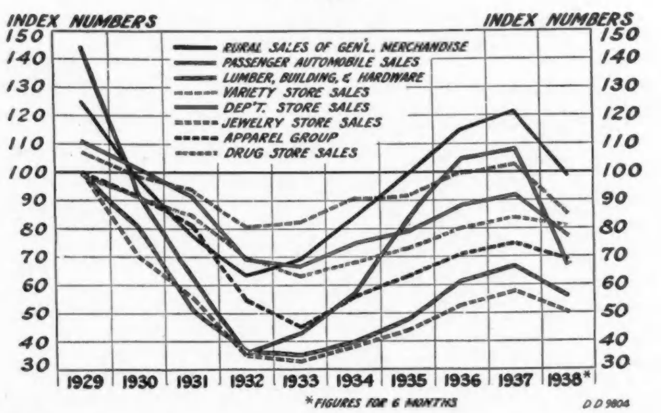


up 27 percent of all stores but accounted for only two percent of the total volume of business. The average sales of these small stores was but $2,342 per year.

By 1933, the very large stores, those with sales of $300,000 or more, made up but one-third of one percent of the total number of stores and accounted for less than 18 percent of all sales, a drop of more than seven points from 1929. Thus there were fewer, but on the average, larger stores in this group in 1933 than in 1929. The very small stores on the other hand had increased from 27 to over 45 percent of the total, with sales volume rising from two to nearly six percent of all retail sales.

The very large stores recovered slightly by 1935; from ⅓ to ½ of one percent of all stores falling in the group with sales of $300,000 or more. Average sales for this

TRENDS IN RETAILING
1929-1938



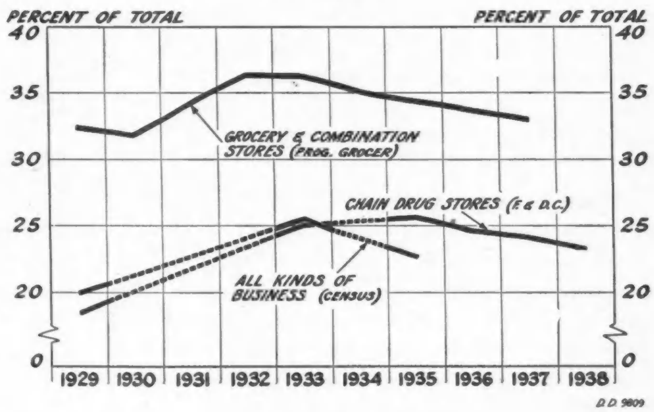
group, however, had dropped to slightly below the 1929 level. The very small stores lost some ground but still comprised nearly 42 percent of all stores with nearly 4½ percent of all sales.

These figures tell a story of the changing pattern of retailing. They reveal the readjustments of a dynamic society to the changing tides of business. They indicate the virility of our people when faced with adversity. The general picture to be sure tells only a part of the story. A breakdown of the facts as between different lines of retail trade and, more important, between different and competitive types of retailing is essential to get the complete picture. The different reactions of grocery stores, drug stores, automobile agencies, general stores, variety stores and many others inject interesting variation into the theme. Chart 2 indicates the variation in reaction to the changing cycle of business for several of the outstanding trade groups.

Changes in Type of Retail Outlet

Much more important to manufacturers and wholesalers are the changes which are taking place in the types of retailing outlets. The struggle between chain stores and independents continues to play a dominant role. It is believed by some authorities that chain stores of the so-called regular or corporate type had reached or were rapidly approaching their zenith by the late 1920's. Professor Paul H. Nystrom holds this view. This may have been true of the long-range trend of chain store sales which had a very rapid and spectacular rise during the post-war era. Statistics are lacking to verify or disprove this contention as to the long-range trend. Cyclical factors have been in the ascendancy ever since adequate statistics have been available. The facts indicate that the

CHAIN STORE SALES PROPORTIONS
1929-1937



chains maintained their relative strength until well into the present decade. In 1929, chains had 9.6 percent of all retail stores and did 20 percent of the business of the nation. By 1933, they had relatively fewer stores, but accounted for 25.4 percent of the business. The 1935 Census revealed a decline to 7.7 percent of the stores and 22.8 percent of sales. In the drug trade the chains accounted for 18.5 percent of the business in 1929 and 25.7 percent in 1935. Since 1935 they have shown successive declines to 23.4 percent thus far in 1938. Estimates for grocery and combination stores indicate that the chains had arrived at a turning point in 1932-33 with 36.4 percent of sales. Since that time the relative proportion of grocery chain sales to total grocery sales has fallen to 33.1 percent. (See Chart 3)

Trend to Larger Units

With the trend towards saturation for chain stores has come a tendency towards larger stores. There is reason to believe that this trend has been accentuated by two comparatively recent sets of developments, one political and the other economic. The taxation of chain stores in

many states has led to the reduction in the number of stores and the concentration of sales efforts in the remaining stores, emphasis well designed to increase the average size of stores. The economic development has been the appearance and rapid growth of super markets. While confined to the food trades, this new competition has caused many grocery chains to follow suit with giant food markets, another force in the direction of larger average sales per store.

The chain systems have had to contend with more than economic adversities since 1929. Legislation, designed to cripple if not eliminate them, has appeared on the statute books of many states, and national legislation similarly aimed has been passed, with even more drastic laws in contemplation. It is argued by supporters of this type of legislation that chains are monopolistic in tendency and destructive of competition. There is some evidence on the other side. The facts show that chains had reached a saturation point several years ago. There has, moreover, been a continuous expansion in the number of independent stores in recent years. While these facts do not exclude the possibility of local monopoly situations, neither do they point to a general monopolistic tendency.

What of the Future

The important questions from the standpoint of producers and distributors is what is to become of the chains, and furthermore if chains are eliminated what types of retail outlet may be expected to replace them? Wholesalers in particular are interested in this problem for most chains operate wholesale warehouses which could be easily converted into directly competing wholesaling establishments if the chains were compelled to give up their retailing outlets.

Business men should keep open minds on this subject. There are two sides to this question as to many others. If retailing requires government regulation, the legislation should be based on all the facts not on part of them, and not on emotions. If there are abuses and unfair practices in retailing, which is quite probable, let legislation be directed towards their correction, wherever they lie, in chain or independent outlet.

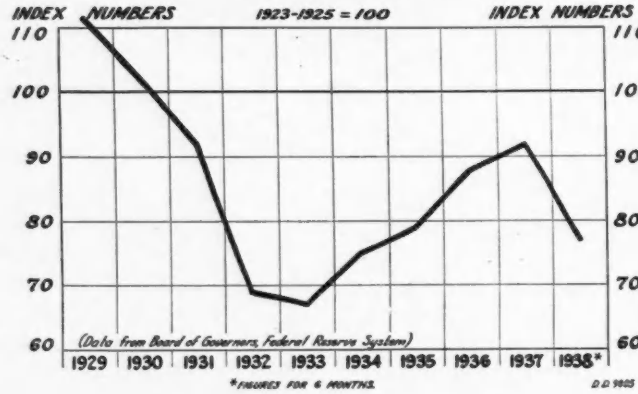
Should the chains be legislated out of business, however, they must inevitably be followed by some other modern system of retailing—perhaps super markets or an expansion of cooperative groups of retailers and wholesalers. In any event, it seems to me that any widespread departure from mass merchandising would be impossible unless we want to retreat to an outmoded economic system with neither large-scale production nor mass-distribution.

Department Stores

To round out the picture, let us see what is happening in the department store field. One of the earliest types of retail outlet to attempt large-scale distribution, the department stores in this country continue to provide a significant channel for the mass movement of commodities. They are essentially large-scale units, relatively few in number. There were some 4,200 department stores reported by the census in 1935 with sales of nearly 3-⅓ billion dollars. While we have census data for only three years, 1929, 1933, and 1935, the Federal Reserve Board has provided an index of department stores' sales for many years. (Chart 4)

Like the chains, department stores showed a remarkable ability to adjust themselves to depression conditions since 1929. In that year, department stores accounted for 8.9 percent of the total retail volume of the country. They improved their relative position in the retail structure to 10.6 percent of total sales in 1932. Since then the relative strength of department stores as reflected in percentage of sales diminished until a low point of 9.1 percent was reached in 1936. The estimates thus far for

DEPARTMENT STORE SALES 1929-1938 (UNADJUSTED)

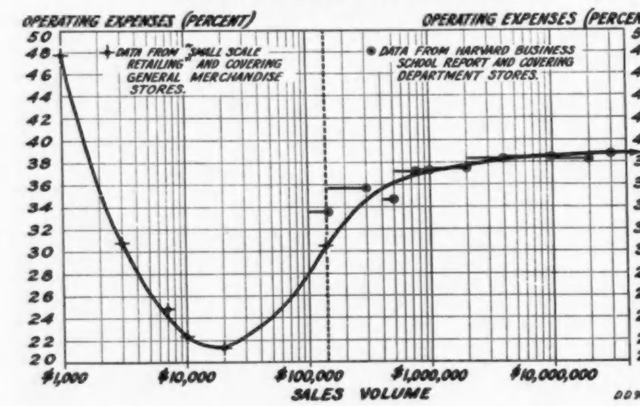


1938 indicate a recovery in relative strength to a possible 9.7 percent of total retail sales. These sales data do not reveal the whole truth, however, as a glance at net operating results quickly reveals. Net operating losses rather than gains were characteristic of the depression years, with 1932 representing the nadir. Recovery of net earnings was not perceptible until 1934, after which there were increases through 1936. Results for 1937 reflected the depressing experience of the recession of the last half of the year in reduced net earnings.

Rising Costs

No discussion of department stores would be complete which failed to comment on the rising level of department store costs. One of the reasons why costs are high in this field appears to be a tendency for costs to increase as

RELATION OF OPERATING EXPENSE AND SALES VOLUME, DATA FOR 1933



sales volume increases coupled with the trend towards larger stores in this field. Other closely related reasons are the expansion in expensive services and the addition of new departments. (Chart 5)

Department stores and chains do not exhaust, by any means, the types of retail (*Cont'd on page* 44)

Collecting Your Money

And Making Customers Like It

By H. E. Robb, The Oster Mfg. Co., Cleveland

The reputation of a company has perhaps more to do with collections than we realize. Marshall Field's store had a reputation of always collecting one hundred cents on the dollar. Whether this was deserved or not, it had a powerful effect and merchants who were intending to fail and to re-open saw to it that when their books were closed they owed Marshall Field's nothing.

The customer who desires credit accommodations from a company who has a reputation of collecting one hundred cents on the dollar knows that he can't slip anything over and that he must pay the price. Just how much pressure is to be brought to bear to obtain prompt collections and to what extent good will may be jeopardized are questions of policy to be determined by each individual concern. However, the arguments which may be presented weigh heavily in favor of a vigorous or close collection policy.

A good system, well maintained, and lived up to, will probably go further than any other one thing to insure prompt collections. The nature of the systems will vary in firms with similar problems and vary still more in firms of different types, but no matter how capable the members of a collection department might be, their efforts will probably go for naught unless a definite system of some sort is maintained and the debtors receive their statements and letters promptly and regularly. More and more credit men are coming to feel that all past due accounts should be followed regardless of the credit standing or size of the customer. Naturally the methods used will differ widely, but it should not be necessary to apologize to any concern or individual when asking for payment of a past due account.

Grasp Mental Image

Another very important point to bear in mind is that we should collect while the mental image is fresh. After goods have been used or possessed for some time, the mental image of benefits received from them has faded. The cigars we have smoked are not so pleasant as those we are going to smoke. The goods lying on shelves are less attractive than when first unpacked and we thought how much profit they were going to bring.

For example: If we are selling labor, then the time to collect is while the purchaser has a lively mental image of the carpenters with their saws and hammers and who kept his house in a turmoil. Later when the house has become a place to live in, the purchaser of the labor has lost, in part, at least, the mental image of the things he bought, but he never loses the mental image of the pleasure of keeping his money as long as he possibly can.

The first few reminders should, of course, be mild in tone and simply make a straight-forward request for payment. Severity in the early stages must be avoided. We shouldn't shoot the works until we have exhausted all the more courteous and friendly methods. We should save our cannonade until it is needed. One credit man said, "you know how it is when you catch horses in the pasture. You have a tuft of grass in one hand and a brick in the other. First throw him a tuft of grass and then the brick, but always be sure to throw the tuft of grass first."

Form Letters

Whether or not to use form letters for the first several reminders has been argued pro and con for years. Were it not for the speed and economy of form letters perhaps they could be condemned immediately. However, a great many Collection Departments handling a large number of accounts receivable have and are using form letters to excellent advantage. We feel that a carefully selected form letter is superior to a hastily written individual letter, and of course, they have a tendency to give the collection man more time to spend on letters to the older and more difficult accounts which require more serious thought for new angles of attack.

Assuming terms of thirty days net, and that the company is operating on only a reasonable margin of profit, many companies make it a practice to give an account personal attention when from thirty to forty-five days past due. At this stage, the tone of the letters must become more

severe, and firm. On the other hand, however, the importance of the good will of the customer must be constantly borne in mind. At this point, it will pay us big dividends if we will give our letters real serious thought and resort to the intelligent psychological approach of which we are capable because the second best collection letter is usually like the second best poker hand.

The psychology of practically all collection letters is about the same. In an indefinite number of cases, the same psychology could be employed by firms in entirely different lines of business and with every complexion and shade of collection problems. The difference lies in the procedure of the various companies, that is the number of letters written and the length of time allowed before proceeding with the more urgent letters.

Writers Mental Attitude

One of the very first things to consider in writing collection letters is the writer's own mental attitude. The collection correspondent sometimes becomes discouraged and irritated by the failure of the debtor to respond to numerous letters. Loss of temper or failure to completely master his emotions will creep into his letters and effect their quality. Of all the virtues, *Patience* is one of the most important for the collection letter writer. Impatience results in a tendency to become unduly harsh or sarcastic, or might even allow a whiney attitude to be reflected in the letters. Patience and Perseverance are two qualities which a successful collection correspondent must possess. If the first letter doesn't get home, it should be forgotten and another written that will stand alone and approach the problem from a different angle. If one hold does not produce a fall, the wrestler sure of his mastery over an opponent, calmly tries another, constantly boring in and relentlessly applying pressure until he winds up on top. With the collector, it is mental instead of physical resistance which must be broken down. It cannot be done if the collector loses his head or permits himself to get off an even keel. His brain and not his emotions must dominate his actions.

When the writer is in the correct mental attitude and sits down to write a letter, he should figuratively, look straight into the eyes of the man he is addressing. He should try to learn the debtor's personal characteristics, the nature of past relations, his local business conditions and facts about his personal business. This will help him to bridge the gap of distance that separates him from the debtor and to picture him seated in the chair at the corner of his desk. Unconsciously this method of visualizing the reader will shape the letter written. It will prevent the language from getting hackneyed and will give it the accent of reality when it is read by the customer.

Debtors Point of View

One Credit Manager told his salesmen that the most valuable things they could report about a customer are the things which would enable him to picture the customer when writing letters. He wanted to know if the customer was a big heavy fellow with sandy hair, and a hearty laugh, or if he were a small, thin faced and dark-eyed fellow. In other words, he felt that the same information that helped the salesman to sell would help him to write successful collection letters.

After we have visualized the reader, we should try to jolt ourselves out of our own point of view a moment and look at the matter from the debtor's point of view. We should think of the real honest-to-goodness brass-tack facts that are in all probability preventing payment of the money due. In other words, pay heed to Abraham Lincoln's advice, which was in effect—spend one third of our time thinking about ourselves and what we are going to say, and two thirds of our time thinking about the reader and what he is going to say. Then we should turn around and study the situation. Remember our rights and the customer's obligations. Remember that our interests and his alike demand prompt payment and that the man who gives good advice and sincere friendship is doing every fellow a better turn than the man who carries good nature to an extreme and allows the customer to get into the habit of believing his own excuses. It is a better favor to help our friend stiffen his backbone and arouse his determination than to encourage him to play the jelly-fish. At times it is kind to be cruel and a good vigorous jolt may awaken his optimism and his fighting spirit.

Courtesy Always Effective

Another thing to be borne in mind is that courtesy is always more productive of respect and in the long run is more likely to lead to action than severity. Sarcastic statements arouse anger and do not secure action, and therefore while they may be useful as a means of relieving the creditor's feelings, they hardly add to the efficiency of his department. We must remember to treat the Debtor as a man of intelligence. He is not only intelligent and human, but in all probability he also has a sense of honor. Therefore, the tone of the correspondence should be dignified and intelligent. It must be insistent but neither superior nor patronizing.

Someone might say, "You forget that this man has defaulted in his obligation. What right has he to my courtesy?" Possibly he has no *right*, but it must be remembered that in his own home town he is probably walking the streets with the respect and esteem of his fellow townsmen and if his conscience bothers him when he thinks of his defaulted obligation, he consoles himself with the memory of the far greater number of instances in which he has honorably lived up to requirements. However, in the final analysis the question is not solely of the debtor's rights: It is chiefly "What is the most effective means of securing the money and keeping the customer."

Working in a "China Shop"

It must never be forgotten that the man who writes collection letters is working in a china shop. A business man's credit conscience is the tenderest part of his anatomy and he does not like to have it roughly handled. The heavy-footed, tactless man of slow sympathies makes a a poor wielder of collection appeals. Clumsy appeals through good will may become meaningless flattery, which forfeits the delinquent's respect and encourages him to resist payment. The successful collection man is a diplomat, dealing with very delicate matters and the heavy-footed diplomat is a veritable bull in a china shop.

However, while the letter must be diplomatic, it must not show weakness or it will arouse contempt and cause the customer to disregard it: neither, of course, must it show undue harshness, less it arouse anger, create a stub-

born, defiant attitude and perhaps leave no alternative but severe action which will lose the customer. In spite of these restrictions, the letter must be varied enough to avoid the deadly monotony, which possibly more than any other one cause, is responsible for the failure of many collection letters to secure results.

As far as the construction of the letter is concerned it must advance from point to point with the sureness of a skilled chess player, it must show clear organization, giving evidence of a mind that has the end in view from the beginning. However lenient the collection letter might be in tone, its logical outline must show the strong hand under the velvet glove. A letter which rambles or introduces unnecessary matter, or draws illogical conclusions is worse than no letter at all.

Brevity Gives Force

The collection letter, particularly up to the late stages, should be short, in order to be forceful and to command attention and therefore, it is well to have only one thought or idea expressed and developed in a letter. Not only should collection letters be short as a general thing, but force is attained by the use of short sentences. We should avoid long and cumbersome words. Use simple language and choose words of one or two syllables. Force is attained by this steady brevity.

The most important position in a letter is the beginning. The debtor is or is not impressed by the first sentence. What you say in the first sentence and how you say it are of prime importance. It was Lincoln's custom to always agree with his opponent at the beginning of a case, gain his confidence and then ingeniously insert his own side of the argument. The same method may be applied to collection letters. In other words, let the first thought of a collection letter be the first thought of an aviator when he starts his plane—Contact.

Beginning with a story or with some striking remark are means of preventing the reader's eyes from glancing too easily over the page. A question is sometimes a better attention-getter than a plain statement. Short sentences, short paragraphs, simple language, make easy reading and so invite attention. Tabulated material, especially if listed 1, 2, 3, etc. attracts attention.

Make Letters Individual

Another excellent means of securing attention is to mention at the beginning of the letter the man's name, some facts about his business or his orders, as it sets the letter apart from the usual run of stereotyped collection letters. For example:

"It was a great pleasure to receive your fine order for blank, but we confess than when we passed it for shipment, we hardly anticipated having to wait more than sixty days for payment" or

"You, yourself, Mr. Swift, as the Treasurer of the XYZ Corporation, can understand the necessity for prompt payment, etc."

The ending of every collection letter should also be given our very best. We don't have to be a psychologist to know that one tends to remember longest what he hears last. The last few lines of a letter are extremely important. To give the ending any less than our very best will weaken and destroy the whole letter. A successful salesman knows how to make the most of his last minute. He has learned the value of leaving a favorable impression. Suppose he put on a face like a wooden Indian and in a monotonous voice delivered as his parting remark "Hoping to hear from you soon and thanking you for past favors, we remain, Yours truly." Suppose he ground out this same phrase every time he saw you. This seems ridiculous and impossible. Yet many a house is closing every collection letter with a similar stock phrase. A successful correspondent makes his last sentence count. We should use the last sentence for emphasizing the action required and if we have nothing to say in the last sentence, stop before we get to it.

Let Us Be Natural

We should strive at all times, to avoid monotony of ideas.

We should never say anything in a collection letter which could not be said face to face with the man we are writing.

We should never write anything that might cause opposition, suspicion or prejudice in the mind of the reader. It will be just too bad if the correspondent fills his letter with a series of arguments justifying his own position and then end it with some time worn phrase insisting on a check.

We should never write a letter in anger or better yet never mail a letter written in anger. It's all right if we lose our temper and dash off a sizzling letter but it would be wise to mail it in the waste basket.

We must avoid by all means, all trace of sarcasm. It is productive only of resentment. Likewise most writers make a sorry mess of an attempt to be funny. Most recipients simply cannot see any humor in a collection letter. I do not intend to convey the impression that humor is never effective, but rather that it is difficult to employ, and the correspondent, unless positive of his ability, will be wise not to attempt it.

"We," "Us" and "Our"

While "We", "Us", and "Our" may be so plentiful in a letter that they are very noticeable, they at least do not smack of affection and hypocrisy, as does the studied and overdone effect of the word "You." We should use both "We" and "You" but strive for ease and natural-

ness in the use of both and avoid the over use of either.

Another thing to avoid is freakish methods. The objection to freakish methods of collection, as in sales is first, that they attract attention to themselves and then to the action desired, second, they cannot be kept up indefinitely because any one of them soon loses its novelty and the collection man's ability to think up others is soon exhausted.

Then too, there is serious danger that freakish methods may smack of excuses, as if the creditor were ashamed or afraid to approach the delinquent directly. It cannot be said that such methods should never be used, but stunts are always dangerous and in any but the smallest percent of cases should be unnecessary. On the other hand, the sound, fundamental reasons for requesting payment are always serviceable, can always be presented in new and interesting forms and best of all they rest on a basis of genuine fact and the actual relation between the buyer and seller. However, there is one stunt many collection managers have tried and are still using to insure them that their messages are opened. This consists of forwarding the letter in a plain envelope. The recipient cannot anticipate its contents and his curiosity will quite often prompt him to examine the letter for its message.

The Last Appeal

In a great many instances when we have taken all reasonable steps without results, and are not yet ready to turn the account over, another appeal from an entirely different angle and signed by some higher official of the company, is sufficient to secure action and it usually helps considerably if the letter is sent registered mail. By sending the letter registered mail we are assured that the communication has reached the debtor and if no reply is received, the debtor has definitely classified himself by deliberately overlooking his obligation. A courteous assumption to make in cases where this letter is used, is that previous correspondence has been overlooked by some subordinate and this means is taken to bring the account directly to the attention of a responsible official.

The appeal to fear is the most potent in handling "deadbeats", but the "poor-pay" customer is not easily frightened. He is either sufficiently calloused by nature or indifferent through experience to be moved by ordinary collection appeals. The collector who can out guess this type and surprise them will be able to secure results where others have failed. Frankness, without bluster: Swift and determined advance from stage to stage in the collection procedure: Occasional appeals to pride or self interest while the stern pressure appears somewhat lax for the moment: are methods which should convince the tough minded delinquent that he has met his master and that to resist payment further will be too expensive. However, once we threaten this type of debtor we must be absolutely sure to follow thru.

Study Best Examples

To make our letters more effective and constantly improve them we should carefully study every collection letter that comes to our attention, as one of the best ways of learning to write successful collection letters is by reading good examples. Any successful collection letter has several elements to which special attention may be paid advantageously. The outline of its ideas may offer suggestions: the way in which the thought advances from point to point and the logical conclusion is reached may be the significant fact, or on reading the letter we may be struck by an original phrase or sentence which more than the rest rings true. At any rate, whatever appeals to us as possessing naturalness, courtesy, logic, force, interest or any other desirable quality can be noted for reference and employed on a later occasion.

It is true that the accent of reality above all else is something the writer of collection letters must cultivate and therefore, we must be very cautious in using without alteration, letters written by others. The best practice is to read and study such letters, weighing their phrasing and gauging their effectiveness for the situation in mind; then re-writing them to get the same effect but in our own way.

Telegrams Ring Bell

However, in spite of all the foregoing, we must face the fact that the best collection letter ever written might never be read. It might lie in a heap of papers on the debtor's desk or he might toss it into the waste basket as soon as he notices the name on the envelope. Therefore, when a reasonable number of letters fail it might be wise to try a telegram, which has certain advantages and is becoming more and more popular with collection managers, particularly so now that the new low rates for night letters has reduced the cost considerably. The telegram is very impressive and difficult to set aside or forget. It is short and to the point: its vigorous impact commands attention: it is usually sufficiently emphatic to convince the debtor he must pay and gives him a mental jolt which spurs him to action. If the debtor is extremely thick skinned, however, it might be necessary to send a second wire to convince him that you mean business and that he must pay quickly or you will make things decidedly unpleasant.

Extreme care must, of course, be exercised in framing the message and statements which might be held libelous must be avoided. However, the collection manager has considerable latitude and texts of messages which have been most effective may be procured from the telegraph companies. Two wires that we have found very effective are worded like this:

(1) Attention Past Due Account Imperative Wire Remittance Today.

(2) Last Chance Make Good. Wire Remittance Today.

Another collection procedure in which there has been a marked increase during the past few years is the telephone. Its use for collection purposes is expanding very rapidly.

The telephone gives the collection manager quick, direct and personal access to the debtor. Complications that would require weeks and even months to clear up by letters might be smoothed out in a few minutes over the wire. Statements that may appear cold or arbitrary when down in black and white in a letter or wire, would no doubt, lose some of their harshness if carried by a friendly voice over the telephone.

To summarize successful collection appeals in a nut shell, I would say we should simply keep our letters and appeals from reminding the debtor of those women who go thru life demanding to see the manager.

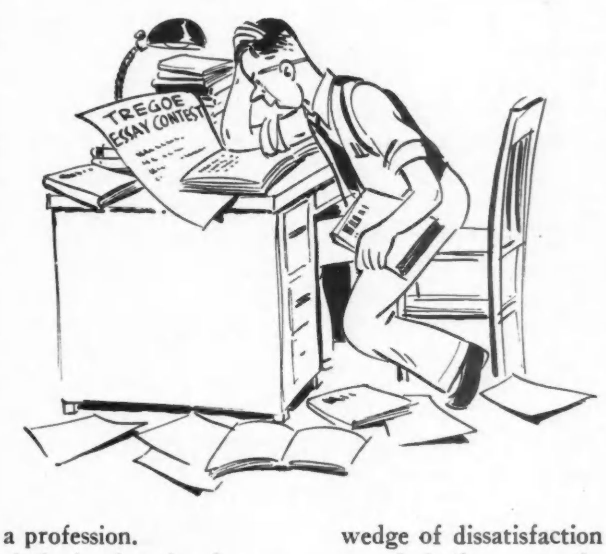
Prestige of Institute Key

Credit Education Forges Forward

By William H. Pouch, President, Concrete Steel Co., New York
Past President of NACM; and Chairman of Advisory Committee on Credit Education

The awards of Associate and Fellow of the National Institute of Credit are becoming more and more recognized as the professional hall-marks of the qualified credit manager. As these awards gain in prestige, the general objective of the educational program of the NACM to enhance the status of credit management as a profession comes closer to full realization.

Any vocational calling, to be recognized as a profession, must have a high standard of ethics and professional educational requirements. The ethical code of the credit profession is expressed in the Canons of the National Association of Credit Men. The facilities for educational qualification are provided through the Chapters of the National Institute of Credit. Educational activities of the Institute are conducted on a professional level equivalent to that of the collegiate school of business. As a result of these high academic standards and the type of education required for the awards of Associate and Fellow, credit management is becoming more highly regarded as a profession.



The interest taken in the Association's educational program by large member concerns has been most encouraging. An increasing number of business concerns are paying all or part of the tuition of their employees as an incentive to take courses in local Chapters.

Employees Encouraged

It has been stated by executives in responsible positions that the Association's educational activities provide a service well worth the cost of Association membership. The increased efficiency of employees, resulting from the knowledge acquired through expert instructors, class discussions and Chapter forums, has been found to decrease unnecessary credit losses and actually increase sales.

One of the fundamentals taught in all of the courses is that the objective of the credit department is to increase sales, as well as to decrease credit losses. An appreciation of the fundamental principle that increased profits, rather than merely a low bad debt ratio should be the goal of credit management, is developed throughout the curriculum.

An increased knowledge of such basic subject matter as Economics, Finance, Marketing, Business Law and Accounting gives to the employee a greater appreciation of the problems faced by business management in its efforts to obtain a fair profit. The courses in Business Letter Writing and Public Speaking instill an attitude of diplomacy and tact that aids greatly in retaining customer good will, while maintaining a firm collection policy. The specialized technical courses in Credits and Collections acquaint the employees with the most scientific methods and recent developments in credit department systems, mechanics and procedures.

Institute training and Chapter activities inculcate in the employees a professional attitude toward their work. In these troubled times, when agitators are attempting to force a wedge of dissatisfaction between employer and employee, morale built on sound education is an invaluable asset to any business concern.

The training of a credit manager is an expense, and in most instances takes years of time. The valuable time of the credit executive and others can be conserved to a great extent if new employees take the training offered by the Institute. Routines of the office can be best learned in the office, but mere routines are a small part of the training of an efficient credit department employee.

The growing appreciation on the part of credit executives for the necessity of educational training in credit work has resulted in making 1938-39 a banner year for the National Institute of Credit.

The achievements in educational work during the past year should rightfully be credited to the diligent efforts of the Chairmen of local Educational Committees, Chapter officers and Association Secretaries. The Develop-

ment Program funds have provided stimulation, advisory assistance, guidance and promotional materials which have enabled the local Chapters to work more effectively. However, advice and guidance would have been absolutely ineffective without the hard work and sacrifice of educational committees and Chapter officers in creating and stimulating interest in credit education and organizing Chapter programs.

A complete report on registration in Chapters of the Institute cannot be made at this time because many Chapters have been unable, as yet, to report in full. Lest some Chapters feel that they have been given inadequate recognition, it must be explained that the many outstanding Chapter accomplishments have made the task of diplomatic summarizing difficult. Space does not permit me to pay the glowing tribute that is sincerely felt for the individual accomplishments of the various Chapters.

Registrations Increasing

The most startling report comes from Meadville, Pa., which, with one Association membership, has a Chapter of 131 registered Institute members. Indianapolis with 144 Chapter members, Rochester 116, Albany 30, Utica 26, Albuquerque 24, Des Moines 34, Denver 70, Grand Rapids 20, Syracuse 55, all rank exceptionally well in proportion of Institute members to Association membership. New York, with 361 members, ranks high in Chapter membership, although they met with a slight recession shrinkage from last year's high of well over 400 memberships.

Pittsburgh, with 73 members, Louisville 54, Chicago 73 (incomplete), St. Louis 40, Cincinnati 31, Detroit 26, Newark 20, are among the larger cities getting a fresh start this year. Other newcomer Chapters are Buffalo with 13 registrations, Hartford 8, Milwaukee 8 and Oakland 24.

Chapters deserving commendation for continuous membership performance are: Atlanta 26, Baltimore 35, Boston 61 (incomplete), Los Angeles 16, Minneapolis 36, Omaha 21, Richmond 12, St. Paul 29, San Francisco 36 (incomplete), Toledo 16 (incomplete).

The following Associations have definite plans under way for National Institute of Credit educational programs: El Paso, Birmingham, New Haven, Worcester, Binghamton, Portland, Tampa, Evansville, Dayton and Waterloo.

20 New Chapters Added

During the past year, twenty Chapters have been organized or revived. Registration in the Institute on December 1 shows an increase of better than 75 percent over last year. Registration figures alone do not adequately portray the excellent work being done by local Chapters.

Most Chapters have developed interesting forum programs, supplementary to their formal curriculum. An experiment, launched by the Chicago, Indianapolis and New York Chapters, to include in their program seminar sessions for mature and experienced credit managers, has met with unusual success.

Credit women's groups in a number of cities have taken a particularly active interest in education and have given special recognition to the Institute by granting scholarships for distribution among deserving women on a competitive basis. These scholarships are quite popular.

In some cities, it has been deemed advantageous to arrange with local universities and colleges to offer, through their evening divisions, the formal educational program. The following schools are cooperating with local Chapters in their educational activities: Johns Hopkins University, Baltimore—Massachusetts Extension Division, Boston—Central Y. M. C. A. College, Chicago—University of Cincinnati—Cleveland College—Fenn College, Cleveland—University of Detroit—Butler University, Indianapolis—University of Southern California, Los Angeles—University of Louisville—University of Wisconsin, Extension Division, Milwaukee—University of Newark—University of California, Oakland—University of Omaha—Duquesne University, Pittsburgh—Northeastern University, Providence—Virginia Mechanics Institute, Richmond—Washington University, St. Louis—University of California, San Francisco—University of Toledo.

College Men Enrolling

This autumn, a large number of graduates of collegiate schools of business enrolled in the Institute. Numerous transcripts of records have been received from universities for transfer credit purposes. Reports also indicate that the more mature and experienced credit managers are signing up for the formal courses required for the awards of Associate and Fellow. It is quite likely that a few years hence, a credit manager without a Certificate will be a rare exception.

The facilities of the National Institute of Credit enable those in the field of credit management, who have not had the benefit of collegiate training in business, to compete more favorably with the ever-growing stream of graduates from collegiate schools of business who are entering credit work.

The demand on the part of credit executives for intensive schooling in recent developments in the fields of credit is indicated by the registration of 450 credit managers and financial executives in the Institute on Credit conducted by Ohio State University, in cooperation with the Ohio Credit Men's Associations. This Institute was a two-day conference, with a program of lectures, forums and round table sessions.

48 Colleges Visited

Our Director of Education, during his travels to the various Chapters, has visited forty-eight universities and colleges and has acquainted the Deans and professors with the educational work of the Association. He has also attended a number of collegiate and vocational conferences, where the educational work of the Association has been explained formally and informally. Numerous requests are now coming from universities and colleges for instructional materials and information concerning the functions of the Association.

The economic and social implications involved in the granting of commercial credit are becoming more and more appreciated. It is only natural that credit management, with its growing responsibilities, should be conducted by professionally qualified executives.

A pamphlet, "Forging Forward by Training in Credit," which is available for the asking, explains fully what the Institute is, how it operates, and what it offers.

Operating Statements

Light Houses for Business Shoals and Hazards

By Rhae M. Swisher; C. P. A. and Management Engineer, Chicago, Illinois

The captain of an ocean-liner guides his ship through storms, fog and rough seas. He must avoid shoals, ice-bergs and both charted and uncharted hazards, with the ever-present responsibility of safely anchoring at the charted port of destination.

The ship's log clearly tells the details of the voyage!

Some captains of business enterprises guide their shiploads of *circulating* assets through storms of price-fluctuations, through fogs of legislation and economic trends, and through the rough seas of competition, internal strife and technological developments with the precision and finesse of the sea-captain using modern compasses, radio information and crew discipline.

Other so-called captains of business enterprises guide their shiploads of possessions in a manner comparable to the scanty direction available to sea-captains of medieval days.

The tool of management most comparable to the ship's log is the operating statement. However, orthodox operating statements indicate only results (profit or loss) ignoring the storms, fogs, shoals, and hazards of management.

The operating statement is the connecting link between two financial statements representing the condition of a business at different dates, and it is important to know how the condition of a business was transformed from the condition at one date to the condition at another date instead of merely knowing that a certain transformation had resulted.

To understand the relative importance of financial statements and operating statements, let us understand that a financial statement is a picture of the *circulating* capital of a business at a given date. A comparative financial statement is a picture of the *circulating* capital of a business at two given dates, so reflected as to compare the condition at one date with the condition at the other date.

His theory was that the credit and sales departments sents an owner's CIRCULATING assets after deduction of borrowed assets (liabilities).

The *circulation* of assets is the only reason for their existence. Unless they *circulate,* they earn nothing and, consequently, are useless.

Thus, a true financial statement indicates which of the possessions of an owner are CIRCULATING assets while the function of the operating statement is to reflect the *manner* in which *circulation* takes place. The true financial statement indicates the results of management while the operating statement indicates the *manner* in which the indicated results have occurred.

In other words, a financial statement can be compared with the inspection of the condition of an ocean-liner while the operating statement can be compared with the ship's log.

However, an operating statement which is merely an analysis of the sales dollar does not serve the real purpose from the standpoint of charting the course of business.

Analysis of the disposition of the sales dollar in terms of costs of manufacture, sales expenses, administration expenses, other expenses and deductions, etc., are more historical in their nature than informative and the fact that they represent certain percentages of the sales dollar affords a meager comparison with the same historical data for previous periods of operation.

In order to illustrate the thoughts and principles expounded in this treatise, a fairly representative operating statement is submitted herewith as Exhibit "A".

Acting upon the suggestion of many of our members, we have decided to incorporate the MEMBERS' BULLETIN as an additional feature of our magazine. This is the first issue in which these two publications make their combined appearance. With this plan the MEMBERS' BULLETIN will appear each month instead of the less regular schedule previously followed.

If instead, this operating statement reflected the disposition of the sales dollar in terms of economic factors such as:

Materials and supplies,
Compensations (labor, salaries and commissions)
Depreciation,
Financial costs,
Taxes,
Purchased services,

the problems of management are clearly indicated.

Problems of Management

These items then distributed under functional headings afford a picture of the operations definitely unapproached in the orthodox statement—Exhibit "A".

An operating statement reflected in terms of economic factors is submitted herewith as Exhibit "B".

Compared with the operating statement submitted as Exhibit "A", the one submitted as Exhibit "B" affords the recognition in terms of the operations of the business of the economic factors encountered during business operations.

A dollar spent for materials encounters price fluctuations due to market changes, sufficiency of supply, conditions affecting sources of supply in other countries, such as impending wars, tariffs, and divisions due to changing factors in international commerce, to local conditions such as governmental subsidies affecting grain and cotton, and to other factors peculiar to certain industries or commodities.

A dollar spent for wages encounters problems of unionization, the availability of specific types of craftsmen and to legislation such as the Wagner Act, wage-hour laws, in addition to varying types of legislation in the different states.

The depreciation dollar differs fundamentally from other dollars in that it is spent long before its utility is required. Extreme judgment must be exercised in order that the dollars so expended are returned to the current working capital from which they were taken before they are exhausted by obsolescence, wear and tear and technological developments. For example, a lathe which costs $2,000.00 in 1938 on an estimate of ten years of usefulness must be utilized and returned to working capital as an invisible part of the goods which it produces in ten years. Failure to so absorb this cost results in definite working capital impairment.

Utilities Dollars Fluctuate

The dollar spent for financial utilities encounters fluctuating interest rates, encounters the law of supply and demand of investors funds, and is subject to legislative and governmental influences such as Federal Reserve regulations, revaluations of currencies, and upon public confidence.

Dollars for taxes have increased rapidly and steadily in the form of Federal and State income taxes, capital stock taxes, processing taxes, social security taxes, sales taxes, use taxes, franchise taxes, licenses, etc., etc., etc., many of which depend definitely upon the ability of the taxpayer to control the taxable conditions to be encountered.

The dollars spent for purchased services such as power, communications, rent, postage, insurance, fees, advertising and others encounter other economic factors, many are combinations of the factors encountered in controlling the classes of items discussed in the preceding paragraphs.

The manner in which each of these economic factors is reckoned with, met or controlled differs with each set of circumstances.

That portion of a dollar spent for materials and supplies is not controlled in the same manner as that spent for wages, nor is the allowance for depreciation controlled in the same manner as that part of the dollar spent for financial costs. Taxes represent an entirely different set of economic circumstances which must be met, while purchased service may encroach on each of the other five economic factors. The analysis of operations in terms of economic factors classifies the expenditures in terms of conditions to be met. Because of such an analysis the establishment of control methods in the management of assets is afforded.

Value of Information

In the statement submitted as Exhibit "B" it is important to know that the portion of the sales dollar expended for materials and supplies was 2.48 cents higher in 1937 than in 1936 and that the portion of the sales dollar expended for compensation was .45 of a cent lower in 1937 than in 1936, that depreciation was .43 of a cent lower, that financial costs were .39 of a cent lower, that taxes were .29 of a cent higher and that purchased service was 2.36 lower. This information means more to management than the orthodox (over all) percentages afforded by the orthodox classification seen on Exhibit "A".

Thus, as the ship's captain can better protect his ship from destruction or damage by weather and marine conditions in the same manner can the management of a business protect its assets by proper recognition of the economic storms or conditions which may be encountered.

When any method of control is afforded to a business man which enables him to better protect his assets he can more capably preserve his assets as *circulating* assets and minimize the constant hazard to working capital of an increase in *non-circulating* assets.

Basis for Budget

This type of analysis furnishes the most logical basis for the budget skeleton which can in turn be filled in by the details representing the conditions and requirements under the heading of each economic factor.

Certainly no business judgment is better than the facts upon which it is based.

The credit executive who interprets operating statements in terms of analysis by economic control factors will find that such an approach to credit problems offers definite opportunities to more realistically dramatize his customers' problems. He will thus establish a method of guides which readily affords interpretations of the effects of economic and legislative changes in terms of his customers—thus more ably protecting that portion of his company's working capital entrusted to his judgment and ability.

The "X" Company (Hypothetical)
Chicago, Illinois

EXHIBIT "A"
STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1937		PCT. TO SALES	YEAR ENDED DECEMBER 31, 1936		PCT. TO SALES	INCREASE [DECREASE] AMOUNTS	INCREASE [DECREASE] PERCENT
Sales		$2,925,813.00	100.00%		$1,895,613.28	100.00%	$1,030,199.72	
Less Discounts Allowed		36,822.63	1.26		23,010.90	1.21	13,811.73	.05%
		$2,888,990.37	98.74		$1,872,602.38	98.79	$1,016,387.99	[.05]
COSTS OF SALES								
Materials								
Inventory, beginning of year	$ 226,721.62			$ 230,190.18				
Purchases	1,420,479.86			817,945.59				
In-Freight	42,860.78			29,902.34				
	$1,690,062.26			$1,078,038.11				
Inventory, End of Year	302,988.28			226,721.62				
Cost of Materials	$1,387,073.98			$ 851,316.49				
Labor	855,360.18			501,822.60				
Depreciation	20,490.91			20,490.91				
Fuel	8,852.10			8,437.20				
Repairs	26,212.80			21,290.09				
Water	865.00			840.00				
Insurance	13,091.95			10,926.65				
Supervision	19,622.50			16,877.50				
Electricity	19,825.62			14,518.57				
Payroll Taxes	8,243.10			—				
Taxes, Property	6,218.26	2,365,856.40	80.86	5,629.42	1,452,149.43	76.61	913,706.97	4.25
		$ 523,133.97	17.88		$ 420,452.95	22.18	$ 102,681.02	[4.30]
SALES AND DELIVERY EXPENSES								
Advertising	$ 75,312.50			$ 62,501.38				
Salaries and Commissions	171,690.03			143,978.49				
Salesmen's Traveling Expenses	21,028.85			17,001.13				
Sales Office Rentals	5,400.00			5,400.00				
Postage	7,562.00			6,820.85				
Freight and Express	14,822.62			11,018.33				
Trucking	8,101.18	303,917.18	10.39	6,922.10	253,642.28	13.39	50,274.90	[3.00]
		$ 219,216.79	7.49		$ 166,810.67	8.79	$ 52,406.12	[1.30]
ADMINISTRATION EXPENSES								
Salaries	$ 98,727.89			$ 91,613.83				
Telephone and Telegraph	3,876.25			3,291.75				
Stationery and Supplies	5,314.15			4,924.60				
Postage	2,483.60			1,983.15				
Depreciation	2,573.10			2,573.10				
Equipment Repairs	415.62			125.00				
Office Rental	6,600.00			6,600.00				
Taxes	3,845.88			2.012.50				
Interest	4,002.65			4,465.00				
Bad Debts	4,287.25			3,602.60				
Professional Fees	3,500.00	135,626.39	4.64	3,150.00	124,341.53	6.55	11,284.86	[1.91]
		$ 83,590.40	2.85		$ 42,469.14	2.24	$ 41,121.26	.61
OTHER INCOME								
Discounts Earned	$ 17,162.09			$ 13,190.68				
Interest Earned	725.00	17,887.09	.59	256.18	13,446.86	.71	4,440.23	[.12]
Operating Profit		$ 101,477.49	3.44		$ 55,916.00	2.95	$ 45,561.49	.49
Less Federal Income Tax		13,335.62	.43		7,688.45	.41	5,647.17	.02
NET PROFIT TO SURPLUS		$ 88,141.87	3.01%		$ 48,227.55	2.54%	$ 39,914.32	.47%

The "X" Company (Hypothetical)
Chicago, Illinois

EXHIBIT "B"
ANALYSIS OF OPERATIONS BY CONTROL FACTORS
Year Ended December 31, 1937 compared with 1936

	SALES PROCUREMENT AND SERVICE	PRODUCTION COSTS	MANAGEMENT EXPENSES	FINANCIAL EXPENSES	NET INCOME CHARGES	TOTALS	PCT. TO SALES	1936 AMOUNTS	1936 PCT. TO SALES	INCREASE [DECREASE] AMOUNTS	INCREASE [DECREASE] PERCENTAGES
SALES						$2,925,813.00	100.00%	$1,895,613.28	100.00%	$1,030,199.72	
MATERIALS AND SUPPLIES											
Basic Materials		$1,315,026.48									
Supplies		87,286.80	$ 5,314.15			1,407,627.43	48.12	864,678.29	45.64	542,949.14	2.48%
WAGES, SALARIES AND COMMISSIONS											
Productive Wages		$ 741,610.80									
Indirect Wages		113,749.38									
Commissions	$128,622.40										
Salaries	33,067.63		118,350.39			1,135,400.60	38.81	744.292.42	39.26	391,108.18	[.45]
DEPRECIATION		20,490.91	2,573.10			23,064.01	.78	23,064.01	1.21		[.43]
FINANCIAL											
Interest, Net				$ 3,277.65							
Discounts, Net				19,660.54							
Preferred Stock Dividends				21,000.00							
Bad Debts			4,287.25			48,225.44	1.65	38,631.64	2.04	9,593.80	[.39]
TAXES		14,461.36	2,845.88		$14,335.62	31,642.86	1.08	15,330.37	.79	16,312.49	.29
PURCHASED SERVICE											
Electricity		19,825.62									
Repairs		19,825.60	415.62								
Water		865.00									
Insurance		13,091.95									
Advertising	75,312.50										
Travel Expenses	31,028.85										
Rentals	5,400.00		6,600.00								
Postage	7,562.00		2,483.60								
Telephone and Telegraph			3,876.25								
Professional			3,500.00								
Freight and Express	14,822.62										
Trucking	8,101.18					212,710.79	7.26	182,389.00	9.62	30,321.79	[2.36]
Totals	$303,917.18	$2,346,233.90	$150,246.24	$43,938.19	$14,335.62	$2,858,671.13	97.70	$1,868,385.73	98.56	$ 990,285.40	[.86]
Pct. to Sales	10.39	80.19	5.13	1.50	.49	97.70					
						$ 67,141.87	2.30	$ 27,227.55	1.44	$ 39,914.32	.86%
Net Proprietary Return											
1936 Totals	$253,642.28	$1,452,149.43	$118,876.53	$35,029.04	$8,688.45						
1936 Percentages to Sales	13.39	76.60	6.26	1.85	.46						
Increase or [Decrease] Amounts	50,274.90	894,084.47	31,369.71	8,909.15	5,647.17						
Increase or [Decrease] Percentages	[3.00]	3.59	[1.13]	[.35	.03						

Mechanical Risks in Credit

Four Factors to Watch in Accounts Receivable

By John J. Schenermann, Saint Louis, Mo.

The change has been so gradual as to be almost unnoticeable.

Once upon a time, your credit department was expected to be just that. Your sole purpose was to investigate and approve the credit of customers and prospective customers.

All that was yesterday—yesterday when business men were directed by the judicial type of man who was content to act a somewhat passive role in the administration of business.

Today, that type of man has almost disappeared and his place has been taken by the aggressive, energetic, sales-minded executive.

Whatever may have caused this slow change, the fact remains that business executives are emphasizing sales and more sales as the road to profits. Every employee of a company is expected to make of himself a voluntary salesman of his company's product. Every department must contribute to sales, and those which do not or cannot are quickly eliminated.

New Sales Aid

Now the executives have turned their attention to the credit department, seeking ways and means to make of that department another sales instrument. The most unfortunate development is that executives usually find a means to accomplish their purpose, and when this has been done, the credit executive becomes little more than a chief clerk, losing his prestige and all his former influence.

Faced with this situation, the credit executive has one alternative: to conduct an investigation himself, and discover all possible ways and means to assist in sales expansion.

Back in 1922, a young man was placed in charge of the credit department of a large shoe manufacturing company. He offered only a few years' experience, but in applying for the position he outlined a very promising idea. It was such a splendid idea that the executives ignored his youth and meager experience, but concentrated on reviewing and considering the plan. The most surprising feature was not the plan itself, but rather that it had waited so long for a promoter.

The important feature was the principle on which the plan was founded: "that the business was established to manufacture and sell shoes profitably." From this, the young man developed his point: that the credit department should be an active rather than a passive influence in sales expansion.

His theory was that the credit and sales departments should be partners and that both should be responsible for net profit.

Fifteen years later, that same young man became a director of his company and was promoted from the credit department to the position of vice-president in charge of sales—though he had never written an order for as much as one pair of shoes! While other credit executives believed their sole function was to prevent losses by refusing orders from questionable accounts, this young man searched for ways and means to accept every order submitted. His future success resulted entirely from his mental attitude.

The credit executive, if he will keep prominently before him that the purpose of business is sales and profits, will inevitably be led to the conclusion stated in the July 29th issue of "Printers' Ink" by Mr. F. A. Worth, credit manager of Spencer Kellogg & Sons Sales Corporation. Writing on the subject of sales and credits, Mr. Worth stated, "I believe it will be agreed that for the most part, productive facilities are vastly ahead of consumptive possibility. Owing to this, the backbone of the business of practically any institution consists of a certain volume of accounts of whose credit standing or safety there is little, if any, doubt. *These alone, however, do not suffice to provide either the volume or profit desired.*"

New Accounts Needed

Every commercial institution has a certain number of old customers from whom business flows automatically, but in order to maintain and increase sales volume, there is a constant need for new accounts.

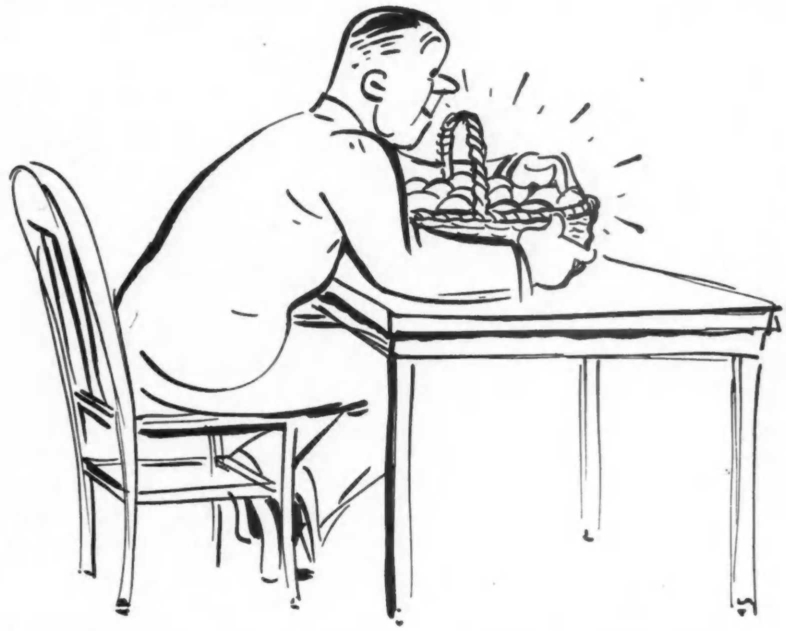
Every credit executive realizes fully that his salary and future success is dependent on the success of his company. Consequently, he is entirely willing to do his

The writer of this article presents some arguments on the negative side of the business slogan "Put All Your Eggs in One Basket and Then Watch the Basket." He writes with a background of years of experience in Credit and Business Management.

share to contribute to the success of his institution. But there is another factor which must be considered: the credit department's primary interest is the safety of accounts receivable. New customers, therefore, are not always welcomed by the credit department with the same degree of cordiality expressed by the sales department for such orders always involve more risk than orders from customers with whom the credit department is familiar.

So while the credit executive and the credit department may be most desirous of contributing to sales expansion, they are constantly faced with the possibility of credit losses and enthusiasm necessarily must be somewhat restrained.

Any number of credit executives have traveled along the road toward sales expansion only to be abruptly halted by this stymie of fear. Further progress is blocked until this risk of loss is eliminated, or at least minimized.



When confronted with any obstacle, our natural reaction is to determine the size of the obstacle, its strength, and the means to overcome it. In this case, the obstacle is risk, and if we can determine the location and size of the risk, means for overcoming it will suggest themselves.

There is, quite naturally, a risk in any credit account regardless of the amount of money involved. It is the function of the credit department to investigate each individual risk to be satisfied that the individual debtors will be or will continue to be satisfactory customers.

But there is another origin of risk which might be termed a mechanical form of risk. That is, it arises not from any weakness in any one customer, but rather from the relation of that customer to the creditor.

Mechanical Risks

By analyzing accounts receivable, mechanical risk may be traced to one or more of the following factors:

1. Large individual credit accounts.

There are innumerable stories of firms who have been offered capacity contracts by large corporations. Many firms refuse to accept such a contract because it would force them to sacrifice their customers in order to devote all their time to one account. Should they lose that one account in the future they would then have to rebuild their company.

Credit risk may be caused by a similar situation. Let's say that a firm's capital is $100,000.00 of which $40,000.00 is represented by accounts receivable. If $20,000.00 is represented by one credit account, this firm has an extreme credit risk in this one account. The loss of $20,000.00, or even a delay in payment, could seriously handicap such a company.

Diversification is a most important requisite of any form of investment. There was one prominent individual who preached the doctrine of "put all your eggs in one basket; then watch the basket." But such a doctrine is not adaptable to most investors.

The man who invests in stocks secures safety of his investment by spreading it over as many first-class companies as possible.

Now the credit department is an investor in the full sense of the word. They approve the lending of merchandise to another with the expectation of receiving payment with profit, some time in the future.

One objective should be, therefore, to obtain as many accounts as possible so as to secure safety in numbers.

2. Credit risk may arise from the concentration of customers in one territory.

We are well aware that business conditions vary constantly throughout the country. Business may be active in one section while stagnant in another. A manufacturer, selling nationally, is enabled to offset the loss of business in one section by gains in another; while a manufacturer whose sales are confined to one district is governed by conditions in that district.

It is well to remember that territorial distribution is not subject to state lines, but is governed by geographical and industrial divisions.

For example, a firm whose product is sold in ten southern states could not be said to have good territorial distribution if these ten states are dependent mainly on cotton production.

Good territorial distribution would require that sales be evenly divided between the industrial states of the East; the cotton-producing states of the South; the grain sections of the West; the oil states of the Southwest, et cetera.

One very prominent brewer in the country follows a sales policy which has puzzled many. Their particular brand of beer may be purchased, it is said, anywhere in the world, particularly anywhere in the United States.

Strangely enough, two other brewers located in the same city surpass this firm in local sales though these other brewers do not attempt national distribution.

This policy was formulated not entirely to eliminate the credit risks resulting from concentration in a single territory, but was also dictated in an effort to maintain a steady volume of sales by neutralizing fluctuations in any one territory.

Concentration of customers in one territory cannot always be avoided but, just as it is important to diversify credit risk by amount, so is it also important to diversify risk according to territorial location.

3. Credit risks may arise by concentration of customers in one industry.

The conditions affecting particular industries may be made into quite a lengthy list without exhausting the possibilities. We know that any industry must contend with such things as sudden style changes; political developments, either within the state or within the federal government, to say nothing of possible developments in foreign countries. The credit executive whose risks are concentrated in one industry must also contend with situations following inroads of one industry by another.

One example of this is the progress which the steel manufacturers have made in entering the markets which formerly belonged exclusively to the furniture, lumber and building industries. Until a few years ago, all furniture was produced by the regular furniture companies.

No Wood in Autos

The most important example of competition between steel and lumber is in the automobile industry. It is said that in the modern automobile (excepting custom built bodies) there is not a single piece of wood.

Modern buildings, while wood is still used for the interiors, have very little lumber in their construction.

When a credit executive is familiar with a certain industry, a little reflection will soon bring before him a realization of the risk resulting from concentration in that industry.

Unfortunately, when such conditions exist, it is not always within the power of the credit executive to effect a change but the situation should be discussed with company executives. Plans may then be formulated with the sales department for entering other industries, thereby reducing that particular risk in credit accounts.

4. Risk in accounts receivable may arise from the quality of accounts.

The making of this analysis is quite simple for it is nothing more than segregating all accounts receivable into classifications of discount, prompt and good.

In most lines of business the classifications of discount and prompt should include about ninety per cent in number and amount of total outstandings. Even ten per cent is a more than generous allowance for all other accounts, as this would include all the slow-paying customers in the ledger.

This analysis is important because it has much to do with the final profit and selling price of your service or product. If a large portion of sales are made to accounts of poor quality, a generous profit margin would be necessary to absorb credit losses and to allow for the earning power of the money involved.

On the other hand, a small margin of profit would be justified for a firm selling only to the best class of customers on very short terms. So in order to assure your firm the greatest possible amount of profit, it is well to concentrate only on the finest customers.

Two advantages accrue from this practice: These customers pay promptly or discount, and a lesser amount of capital is required than when selling to a poorer grade of customers. Secondly, credit losses will probably be much less because Risk will be diminished while the possibility of profit is increased.

These four considerations reflect the mechanical strength or weakness of all accounts receivable.

Indicators of Risk

The condition of accounts receivable is a most sensitive indicator of an increase or decrease of Risk. An unusually large amount of accounts receivable, compared to total working capital, indicates a condition which should receive immediate investigation.

That investigation may determine that there is no cause for alarm, and that the expanded condition of receivables is a healthy condition. On the other hand, there is the possibility that the large amount of accounts receivable is due to an unusual amount of past due accounts and, of course, such a condition should receive immediate attention.

The credit department can help sales by carefully controlling this condition of accounts receivable for as the amount of capital required for accounts receivable is reduced, so much more is released to put into inventory or to be used in other more productive services. As the amount of capital available for inventory is increased, the sales volume will expand because better service can be offered customers either by offering a greater variety of articles, a greater variety of quality, or quick delivery right from stock.

By analyzing outstandings according to these four divisions, the credit executive is enabled to locate mechanical risk and establish proper safeguards. Having removed or minimized the risk, the credit department is then able to function as a sales expansion instrument.

The means for actually accomplishing this must remain the task of the individual credit executive but his work will be simplified by the information gleaned from the analyses.

Benefits of Plan

The benefits of such a plan are not restricted entirely to sales possibilities. Such a forward looking plan on the part of the credit department will do much to eliminate disputes between that department and the sales force. The credit executive will be assisting sales by assuring liquidity of capital, and by striving at all times to make it easier for customers to buy. Certainly, the sales department will respond to such a gesture.

Executives, too, will soon be aware of the operation of the plan and the credit executive may reasonably expect to enjoy thereafter that sensation of influence and increased prestige which he so richly deserves.

Biblical Boat-Misser

Methuselah got all the advertising—and as a result you think he was twice as old as any of his relatives.

But his grandfather, Jared, was also something of an old-timer. He was 962 years old when he died.

He lacked just seven years . . . a measly two-thirds of one per cent . . . of living as long as the oldest man in history.

It's that little EXTRA effort that counts. Jared is an example for the Credit Executive. After we've done our level best on a job, think of Methuselah's granddad and try to make the job a little better.

Interpreting Fair Labor Law

Administrator Explains Application of New Act

Quotations from Bulletins on "Who Are Affected" and "Who Are Exempted"

When the Fair Labor Standards Act of 1938 went into effect on October 24 two main questions arose in the minds of manufacturers and wholesalers. These were:

1. Are we engaged in Interstate Commerce and thus come under the Fair Labor Standards Act? and

2. Do we qualify under any of the exemptions named in the act?

No one but the Administrator or members of his official staff had authority to give these interpretations and since the official pronouncement on these two points were made only on December 2 and 7th a summary of the pronouncement is presented herewith.

Those directly interested in a study of the Fair Labor Standards Act and its application to their companies should obtain from the Wage and Hour Division of the Department of Labor at Washington the following Interpretative Bulletins:

1 and 2. General Statement as to Coverage of Act and Application of Act in District of Columbia and Territories and Possessions.
3. Method of Payment Under Act.
4. Maximum Hours and Overtime Compensation.
5. Further Statement as to Coverage of Act.
6. Scope and Applicability of Exemptions Provided Under Act.

Pamphlets reporting on hearings so far held in several industries also are available. Those interested should ask to be put on mailing list for all releases in their particular industry.

The Washington Service Bureau also is prepared to obtain information on this important new Federal law. It should be remembered in this connection regulations and interpretations are only just now being issued.

Are You In Interstate Commerce

Interpretative Bulletin No. 5 has this to say about what firms are engaged in Interstate Commerce:

"The wage and hour provisions of the Act are applicable to employees "engaged in (interstate) commerce or in the production of goods for (interstate) commerce." Employees are engaged in the production of goods *for* commerce where the employer intends or hopes or has reason to believe that the goods or any unsegregated part of them will move in interstate commerce. If, however, the employer does not intend or hope or have reason to believe that the goods in production will move in interstate commerce, the fact that the goods ultimately do move in interstate commerce would not bring employees engaged in the production of these goods within the purview of the Act. The facts at the time that the goods are being produced determine whether an employee is engaged in the production of goods for commerce and not any subsequent act of his employer or of some third party. Of course, the fact that the goods do move in interstate commerce is strong evidence that the employer intended, hoped, or had reason to believe that the goods would move in interstate commerce."

The question has been raised by some as to the application of the Act on FOB factory orders received from out-of-state. The Administrator has made the following ruling on this point:

"Employees engaged in the production of goods that move out of the State of production are engaged "in the production of goods for commerce" even though the employer does not himself ship the goods across State lines. It is immaterial that the producer passes title to the purchaser within the State of production. If the goods are purchased by an out-of-State purchaser, f.o.b. the factory, and are taken by the purchaser out of the State, the employees in the factory are engaged in the production of goods for interstate commerce. The same is true if the purchaser sells his products within the State of production to a wholesaler or retailer who, in turn, sells them in interstate commerce."

Cites Bakers as Example

Another question arises with manufacturers who buy raw materials from another state and sell their product entirely within their own state. The interpretation of this point is cited from the Bulletin % as follows:

"A baker who receives his flour from outside the State and sells his bread for consumption within the State. Employees engaged in the production of goods for local consumption would seem to be excluded from the scope of the Act even though the raw materials upon which they work are brought in from outside the State. Interpretative Bulletin No. 1 stated that "the Act does not cover plants where the employees work on raw materials derived from within the State and where none of the product of the plant moves in interstate commerce." This statement left open for further consideration the status of employees manufacturing or processing raw materials derived from outside the State where the product is sold for local consumption. Such employees are certainly not "engaged in the production of goods for (interstate) com-

merce" as the term "commerce" is defined in Section 3(b) of the Act. And it seems they cannot be considered as "engaged in (interstate) commerce," because they are working on or processing goods that have come to rest within the State and have ceased to be articles of interstate commerce. Other employees in the same plant, however, such as employees purchasing the raw materials from other States or receiving them from other States, may be "engaged in commerce" and therefore entitled to the benefits of the Act. As stated in Bulletin No. 1, the coverage of the Act is "an individual matter as to the nature of the employment of the particular employee."

Local Mine Exempt

"A case analogous to that set out in the last paragraph is the case of the production of goods to be consumed locally by a producer of goods for commerce where the first producer's goods are not a part or ingredient of something the second producer is producing for commerce. Where a small mine sells all its coal within the State to a local manufacturer engaged in the production of goods for commerce, the manufacturer using the coal to heat his plant or drive his machinery, the employees of the mine are not engaged in the production of goods for commerce. Similarly, employees engaged in the manufacture of machines, all of which are sold within the State to a local manufacturer engaged in the production of goods for commerce, are not within the scope of the Act."

What is the status of wholesalers and jobbers? On this point the Bulletin states that "employees of a warehouse whose storage facilities are used in the distribution of goods" are engaged in commerce under the terms of the act. On the question of wholesalers' operations the Bulletin states further:

"Many wholesalers make all their sales within the State in which their places of business are located, but purchase the goods which they wholesale from outside the State. There are varying situations within this group of wholesalers selling locally. At times, shipment will be made direct to the customer of the wholesaler from the out-of-State manufacturer. Again, shipment may be made to the wholesaler after the goods have already been resold to or ordered by the customer. Employees engaged in connection with such sales are an essential part of the stream of interstate commerce and are included in the phrase 'engaged in commerce.'

"Again, there will be employees whose sole work is connected with goods sold from stock at the wholesaler's place of business. It is possible that a court may draw a distinction between employees engaged in connection with the sale of goods in the original package and employees engaged in connection with the sale of goods after the package has been broken. More likely, however, the courts will hold that employees employed in connection with the wholesale sale of goods brought in from outside the State are engaged in the stream of commerce and entitled to the benefits of the Act, whether or not the goods are sold in the original package. It is our opinion that wholesalers purchasing their goods from outside the State should comply with the provisions of the Act."

Retail or Service Establishments

The questions as to the scope and applicability of the exemptions named in the act are answered in Interpretative Bulletin No. 6. On the point as to what constitutes a retail establishment the Bulletin states:

"A retail establishment sells merchandise to the ultimate consumer for direct consumption and not for purposes of resale in any form. The transactions of sale may take place in the home of the consumer, by mail, by telephone or, most commonly, in retail shops or stores. The neighborhood butcher shop which sells meat to housewives is a typical example of a retail establishment.

"A retail establishment generally sells its merchandise in small quantities and at prices higher than the price involved in sales to wholesalers or jobbers. Thus, for example, it would seem that a coal company engaged in selling large orders of coal at a discount from the regular retail price would not be a retail establishment under Section 13(a) (2), notwithstanding the fact that the coal is purchased for direct consumption and not for purposes of resale in any form.

"A retail establishment ordinarily sells 'consumers' goods' and such merchandise is sold to purchasers for private consumption and not for industrial or business purposes. Accordingly, it would seem that a concern engaged in selling manufacturing machinery to manufacturers would not be a retail establishment within the meaning of Section 13(a)(2) even though the machinery was not to be resold. The fact that manufacturing machinery is not 'consumers' goods' presents an additional reason for our conclusion, but the result in the illustration would seem to be the same, even though the commodity sold to the manufacturing concern were coal, to be consumed in the course of operations, instead of manufacturing machinery.

"A retail sale may involve the sale not only of merchandise but also of services incidental or necessary to the use of such goods. Thus, a retail establishment may also perform in connection with its retail selling the usual servicing rendered by enterprises of similar character. The neighborhood grocery gives delivery service to its customers and the radio dealer often renders the service of putting up aerials for his customers."

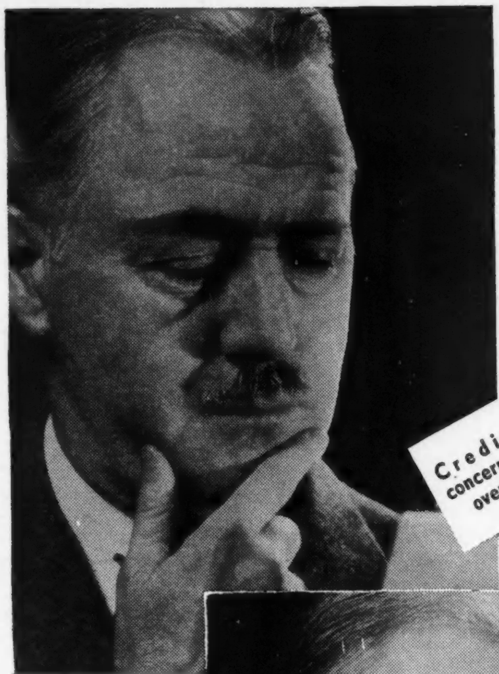
Is Yours a Service Establishment?

On the question of what constitutes a service establishment the Bulletin points out:

"Service establishments as used in Section 13(a)(2) may be considered to include generally that large miscellaneous assortment of business enterprises which are similar to retail establishments in character but which may not be accurately classified as such. Such an interpretation is suggested by the manner in which Section 13(a)(2) is drafted. Service and retail establishments are considered in the same sentence, and the same criterion of intrastate commerce is made applicable to both. Typical examples of service establishments, akin to retail establishments, within the meaning of the exemption are restaurants, hotels, laundries, garages, barber shops, beauty parlors and funeral homes.

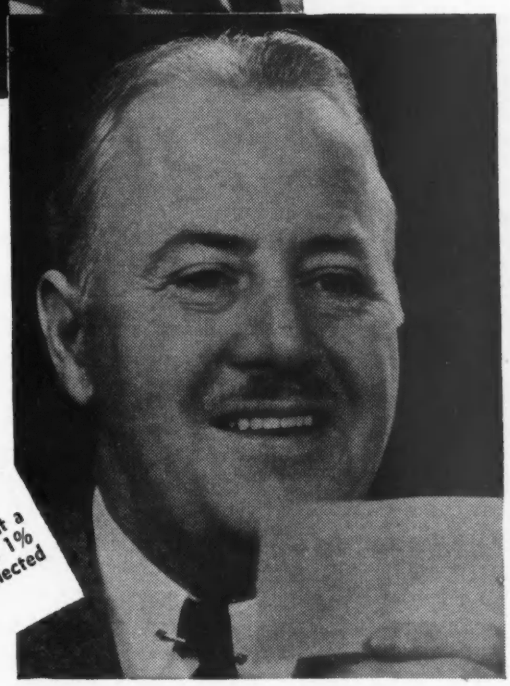
"Many of the characteristics outlined above with respect to the retail establishment are helpful in determining whether a given business is a 'service establishment' within the meaning of Section 13(a) (2). Service establishments are usually local in character and render a service to the ultimate consumer for direct consumption. The service is usually purchased in small quantities for private use rather than for industrial or business purposes.

"Numerous letters have (*Continued on page* 44)



Credit manager is concerned about long overdue accounts

Decides to use Postal Telegrams, after other methods failed



In come checks, at a cost of less than 1% of amount collected

TELEGRAMS RING THE BELL

USE "Postal Telegraph" to collect overdue accounts. When other methods fail, Postal Telegrams have proved to be as high as 95% effective.

One credit manager says: "A telegram is seldom ignored, and generally results in a remittance. We consider the Postal Telegraph Company an important link in our collection system."

Try this method. Pick out ten of your long overdue accounts. Call "Postal Telegraph." Then check results! Postal Telegrams reach the persons addressed. They are delivered dramatically. They are read carefully. They get action quickly.

The Postal Telegraph manager in your district will be glad to tell you many ways in which Postal Telegrams can help close sales, adjust misunderstandings, obtain facts, get any action quickly. Telephone Postal Telegraph and ask to see the manager.

Postal Telegraph Money Orders for Mailing Make it Easy for Debtors to Pay

FOR QUICK ACTION . . .
USE POSTAL TELEGRAMS

Postal Telegraph

Commercial Cables — Mackay Radio — All America Cables

Where Are the New Frontiers?

Will We Not Find Them in Our Own Fields

By I. L. Hillman, Ass't Treasurer, Dravo Corporation, Pittsburgh

SEM Businessmen must look for "new frontiers" in their present fields through the development of a new business philosophy. The doctrine of rugged individualism with freedom from governmental interference has been a powerful factor in the rapid development and expansion of industrialism. And, yet, some economists attribute our social and economic ills of the past ten years to the selfishness and short-sightedness engendered by such doctrine. Whether or not their diagnosis is correct, it must be admitted that marked changes have taken place in the relationship between employers and employees. Employees have been given a greater voice in management and a larger percentage of the earnings with improved working conditions and shorter working hours. Some of these changes have been created by legislation; others by normal business evolution. As is usually the case, those changes brought about by legislation have been most costly with doubtful permanent value. Government cannot successfully legislate its subjects into using methods that are naturally and economically unsound.

The new business philosophy will be based on the axiom that wealth consists of tangible goods to be consumed and enjoyed, and that the more goods produced and distributed among a nation's people, the higher will be the standard of living in that nation.

Many Crucial Problems

An item appearing in the September issue of Fortune, entitled "Business & Government" sets forth that never in the same span of years have businessmen encountered so many crucial problems: social, political and financial, as the men who entered business in 1912 at the age of 23 and have been hardy enough to continue in it to the present. Approaching 50 and with so much trouble behind them, they have infinitely greater trouble ahead, even though resources and production facilities are available for use in raising our national welfare to a new high plane.

So many things are needed in this country today. Few houses make full use of modern technology. At the 1929 production rate of 500,000 units a year, it would require from 6-7 years to provide the 1930 standard of housing for persons paying rents of $30 monthly or less. 70% of the railroad locomotives are over 17 years old—40% of the freight cars are over 20 years old. A railroad modernization program, including replacement of obsolete equipment, elimination of grade crossings, improvement of terminals and relaying worn out tracks would absorb so many unemployed that millions of dollars would be saved every year in relief doles.

American obsolescence is far-reaching. It is found in the factory, the office and the home. Its gradual eradication would keep all persons, able to work, busy 40 hours a week for life.

Modernization includes acoustically treated ceilings, photo-electric cells for opening doors, television, private airplanes, air-conditioning, variable density windows, indirect lighting, and numerous other items.

The businessman misses the power of growth in today's economy. Until 10 years ago, in spite of depression, wars, and similar influences, the United States always got bigger. Its material income grew. Its per capita income grew, and its standard of living rose higher.

Rate of Growth Declines

Since 1929 there has been a marked decline in the standard of living, as indicated from the housing conditions previously mentioned and from the reduction in real income which will be set forth later. Simultaneously with this decline the rate of growth in population of the United States has materially decreased. Recently the Secretary of Commerce announced that, according to an estimate by the Bureau of the Census, the population of the United States was 130,215,000 on July 1, 1938. Assuming this number is approximately correct for the eight years since 1930, the average annual rate of increase was .7%, or less than half the annual rate of increase of 1.6% from 1920 to 1930. The present rate of increase approaches one-third of the rate fifty years ago when, during the decade from 1880 to 1890, it was 2.5% annually.

Several factors have contributed to this decline. The main one was the declining birth rate, influenced by fear of social and economic security, greater inter-dependence on others for existence, and interference with personal leisure. As a result of more restrictive immigration laws and a vast increase in the number of emigrants, this country experienced a net loss of population to foreign countries for the first time in its history.

This retardation of growth in population affects every phase of modern life. Its political effect is apparent when the change in composition of the population is considered. The birth rate among descendants from Anglo-Saxon stock is very much lower than among those from Central and Southern Europe. The native social, economic, and political background of the latter class has engendered traits which permit it to be readily influenced by the

flippant tongues of labor agitators, communistic apostles, and other undemocratic revolutionaries. Its economic effect is evident to the businessman and the industrialist. It signifies a contraction of the anticipated normal growth of future domestic markets, and intensifies the need for development of foreign markets.

Face New Style of Products

The decline in the rate of growth also causes a smaller proportion of youths and a larger proportion of aged persons, which will ultimately result in more social service problems and higher cost for the welfare burden. Furthermore, the nature of goods consumed by young people differs from that consumed by older people so that manufacturers will have to change their products to meet the new demands.

The reduced rate of increase in population has affected, somewhat, the power of growth in today's economy. Prior to 1929 adverse business conditions and economic set backs were soon eradicated by some new era created by industry or finance.

For the past ten years there has been no sign of this old recuperative power. It has been sidetracked by propositions that:

- prices are too high or too low.
- wages are too high or too low.
- taxes are too high or too low.
- purchasing power can be revived by pump priming and government spending.
- the excess capacity to produce can be controlled by price fixing and government restriction.

These propositions can't accelerate growth. They lack the basic function of making things. The more things produced by an industrial economy—the bigger will be the income—hence, the key to lost recuperative power lies, not in regulation or redistribution, but in industry, where purchasing power originates.

The trend of real national income is downward as shown by figures compiled by Dr. Robert Martin for the National Industrial Conference Board. Let me quote briefly a few figures showing the real income adjusted by the cost of living. (1926 being considered as a normal year.)

	Real Income Per Capita	Total (In billions $)
1900	480	36.5
1910	580	53.5
1920	560	65.5
1929	675	82.5
1930	630	78.0
1937	610	79.5

An interesting graph from the same source shows the relative contribution by industries and government to realized production income. The industries are classified as:

Agriculture	Communication
Mining	Trade
Gas, Electric & Power	Finance
Manufacturing	Service
Construction	Miscellaneous
Transportation	Government

In 1900 the total realized production income from all sources was 17½ billions, of which government contributed 5.3%.

The government's contribution has relatively increased as follows:

	Total National Realized Production Income	% Government
1929...	75 Billions	8.3
1932...	43 Billions	14.7
1933...	41 Billions	14.9
1936...	56 Billions	13.1

The average contribution by government for 1933-6 was 13.8%. (The contribution by government excludes work-relief wages, bounties, subsidies, pensions and grants to individuals not working for government.)

Other industries showing increases were:

	1900	1936
Gas, Electric Light & Power	.4	2.2
Communications (Telephone, Telegraph & Radio	.5	1.4

Manufacturing showed very little change. It was 20.4% in 1900; 23.7% in 1916; and 23.5% in 1936.

Industries showing decreases were:

	1900	1936
Agriculture	18.9	11.3
Construction	4.8	2.7

All other sources lost ground or remained approximately stationary.

Some contend that government spending increases or sustains production. They overlook some of its disadvantages, which are, namely:

1. To require increased borrowing through the sale of bonds which heretofore have been made attractive by tax exempt features, and which provide a safe medium of investment for capital free from the speculative risks of private enterprize.
2. To pay interest on and liquidate its bonds at maturity. In so doing, the government levies higher taxes—both hidden and apparent. Hidden taxes lie most heavily on the poor. Apparent taxes, such as income, capital gains, and corporation taxes, tend to discourage making creative or speculative investments.
3. To create deficits of uncertain duration and unpre-

dictable size, causing uncertainty and further discouraging private enterprise in making long term investments in other than the most secure issues.

4. To neglect to get at the root of unemployment. Although reliable statistics show that each worker put on a P. W. A. job creates 2.5 jobs in private industry, his work is of a temporary nature and when his job is done, so are the jobs of the other 2.5.

But the chief disadvantage of government spending is that it fails to stir the imagination of capital. The imagination of capital is that managerial vision which sees profit in giving more goods for less money.

He Who Serves Best, etc.

The business man who gives more for less accomplishes many things:

1. He improves his competitive position.
2. He increases the capacity of consumers to buy his products on account of lower price.
3. He maintains his volume of production and can give steadier employment to his workers.
4. He helps to increase the real national income.

The government by spending the businessman's and his customer's money, can't induce the former to give more for less. The enterprizing industrialist is glad to take the government's money through increased sales, but this is not the kind of business that will tempt him into an extensive technological program. Instead, the cautious industrialist will take what he can get at the highest price from such a superficial market. His attitude results in a declamation from Washington on the theme of business selfishness, causing a schism between business and government, and creating the situation in which the businessman finds himself today.

As representatives of industrialists and capitalists, we are vitally affected by this situation. Since the government's relative contribution to realized income has increased so tremendously in the past ten years, resulting in offsetting decreases by most industries, our first reaction might be to seek employment in governmental functions, because they seem to offer the best opportunities for growth and advancement. Slight reflection soon converts us from such shallow thinking. In the final analysis, the greater portion of the money spent by government is our own. Government spending does not increase realized income, it merely diverts it from one channel of industry to another. Increased contributions to income by one industry resulting from government spending is offset by contributions, in the form of taxes, by other industries, for governmental expenses. There is a point beyond which the government's relative contribution to realized income cannot increase. This point can be reached, either by national bankruptcy, resulting in disintegration of the government, or by curtailment of governmental functions and a balanced budget.

Sell Facts to Workers

In September 15 issue of Iron Age is an article written by L. A. Young, Chairman of L. A. Young Spring & Wire Corporation, entitled "Salesmen Wanted—To Sell Facts To American Workers." I will comment briefly on what has been done and what can be done to sell the Industrial System to American Workers.

All of us are aware of the charges against the industrial system made by Labor organizers, radicals, and social outcasts; and the effect these charges have had and are having on industry. They appeal particularly to the class of workers who either lack the ability or the inclination to explore the logic of such accusations, or to consider the effect their own actions, induced by such charges, can have on their future well-being. Some of these charges are:

1. The employees get very little.
2. The employers and owners get nearly everything.
3. The rich are getting richer and the poor are getting poorer.
4. Wages do not increase over the cost of living.
5. All frontiers are now developed, and the only thing left to do is to restrict activity to the preservation of what we have.

Reliable statistics prove all of these charges are false. Industries have only scratched the surface in their campaign to combat them.

In recent years some concerns have published more personalized and confidential reports to their employees, customers, and stockholders; they have also released intermittent articles to newspapers and magazines.

Chain Stores have started a publicity campaign to substantiate their place in the national economy, and to defeat the impending Patman Bill that may be introduced in the next session of Congress.

Education Is Important

In addition to the steps that have been taken, industries can launch educational programs through their personnel and public-relations directors. Campaigns through the mediums of the newspaper and the radio can be instituted, which will be so organized and directed as to make cumulative impressions on the persons reached. Pertinent facts easily understood, free from bias, but full of tolerance and human appeal must be placed before leaders of organized groups, such as labor organizations, educational institutions, churches, social and service clubs, fraternal societies, trade associations, professional clubs, and political parties.

The "new frontiers" for businessmen will develop through evolution rather than discovery. Sound economic principles of government will be restored by popular vote. Our people have come to realize the serious consequences of an unbalanced budget and governmental competition in business. The recent elections marked the beginning of this revival, which will gain momentum with each new political victory.

True facts about the industrial system impressed upon the minds of the workers will renew their confidence and cooperation, which have been undermined by some of the panaceas and regulations during the past five years. Management and labor, unhampered by government, need to work together to increase the real wages of the lower income group. This group comprises about 90 per cent of the workers in our country and provides its most important consumer market. The greater purchasing power thus created will stimulate the demand for new products. Distribution will again flow through normal channels. The most modern products of our research laboratories will find a ready domestic market. Workers will want only up-to-date merchandise. The standard of living will rise to a new high plane.

Whittle while you work!

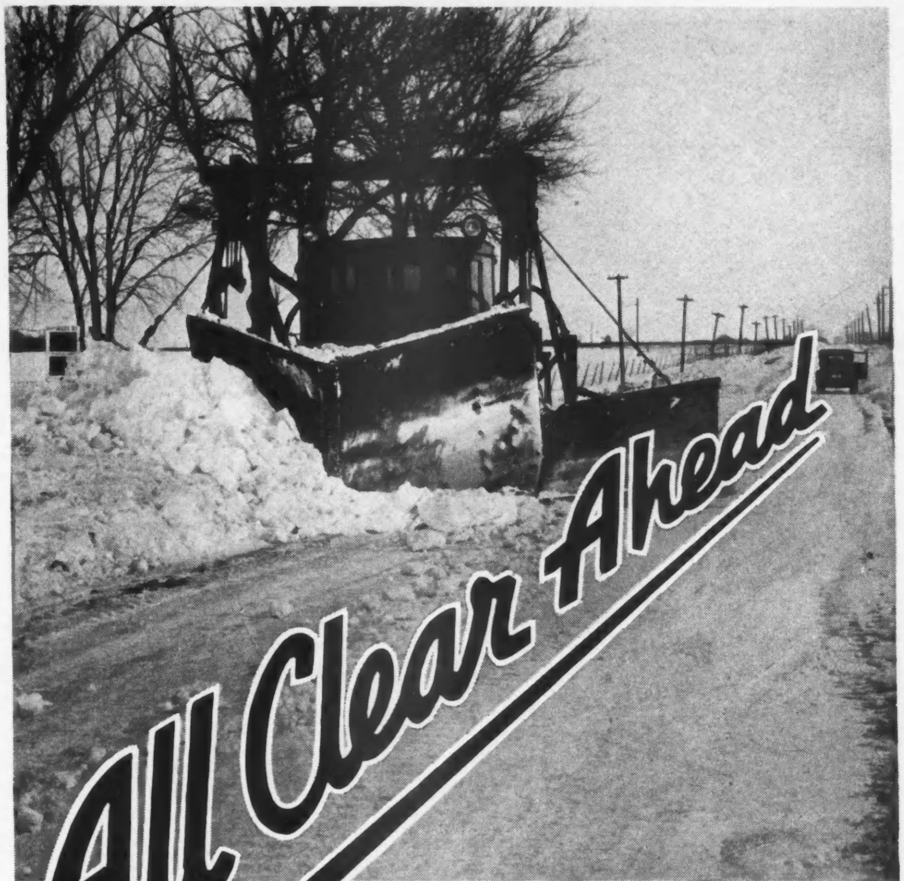
What this country needs is more whittlers. Whittling is conducive to thought and reflection, and exercise of those faculties certainly are needed if we are to extricate ourselves from the quagmire of doubt and perplexity in which our political and economic leaders—many of them at least—are floundering, says "American Lumberman."

Whittling, too, is tantamount to increased use or consumption of wood, for we know of no other material that so lends itself to that gentle art, whether expressed by the long curls or spirals that roll from beneath the blade of the skilled whittler; the chips and splinters of the initial carver registering his transient claim to fame on a convenient wall; or in the vernal season when the "young man's fancy lightly turns to thoughts of love," by leaving the symbol of hearts entwined on the tender bark of some sapling.

The taciturn New Englander's meditative jackknife played a big part in whittling out the policies that guided our nation to greatness; and it may be that whittling, or some equivalent of the art, may generate the sober reflection and wise action so sorely needed to restore confidence and avert chaos.

So let's set up whittling posts everywhere, hew to the line, and let the chips fall where they may. Make whittling a required course in our schools and universities. Launch a new national anthem "Whittle While You Work!"

And for a universal slogan, the world at large might do worse than choose this, which we offer without charge: "Whittlers Are Better Than Hitlers."



NATIONAL ASSOCIATION OF CREDIT MEN

MEMBERS' BULLETIN

Association aids in bankruptcy orders

■ During the past few weeks representatives of your Association have been engaged actively, with other members of the National Bankruptcy Conference, in drafting recommendations to the Supreme Court in connection with the revision of the General Orders in Bankruptcy, made necessary by enactment of the Chandler Bankruptcy Act, of which your Association was a principal supporter.

The importance of this work of the National Bankruptcy Conference, an obvious and necessary by-product of the fact that the Conference was the author of most of the Chandler Act, will be evident to every Association member. The General Orders in Bankruptcy, promulgated by the Supreme Court at the direction of Congress, constitute the official instructions used by federal courts in the administration of the bankruptcy law. The comprehensive revision of the Orders at this time will effectuate the intent and purposes of the Chandler Act and contribute materially to a better administration of bankruptcy.

As a member of the National Bankruptcy Conference, your Association has contributed suggestions which it believes should be embodied in the General Orders to carry out the objectives of the Bankruptcy Act so far as creditors are concerned. Those suggestions, which were obtained as a result of an Association canvass, will be communicated to the Court through proper channels.

While the date of promulgation of the General Orders is still indefinite it is known that the Supreme Court hopes to adopt and publish them as soon as possible.

The opportunity to take part in this important work is not only another indication of the value of your Association's participation in the activities of the National Bankruptcy Conference, but is a gratifying recognition of the position occupied by the Association as representative of such a substantial element of the Nation's business in matters pertaining to credit.

Credit strength in credit unity

■ For several years the National Credit Methods and Practices Committee, supported by the Board of Directors of the National Association of Credit Men, has urged that all creditors join in some one medium for the exchange of ledger experience information. They have suggested the Credit Interchange System of the Association as the ideal medium through which to work. They have amplified their recommendation by urging that all group and industry credit activity be based upon, and be made supplementary to Credit Interchange. The reasons for their conclusions and the program they recommend was covered in detail by Mr. R. S. Shannon, Chairman of the Committee, in the December issue of the *Members' Bulletin.*

Here is a story of a failure that proves the soundness of that program.

A certain concern started in business in an eastern city in December, 1937. By placing a number of orders with Credit Interchange members, they brought themselves under investigation with the result that a very few days after they began a warning was posted throughout the Credit Interchange System and every member who indicated interest in the account was warned against it.

In March, 1938, an involuntary petition in bankruptcy was filed against them. Known assets were valued at $500. Liabilities were known to exceed $15,000.

In Federal Court in November, 1938, a true bill was found against the owner of the concern for perpetrating a fraud.

And here are the facts about that indebtedness:

No Credit Interchange member who informed the Bureaus of his interest in the account, or participated in group activity based on Credit Interchange, lost a single penny in the failure. The indebtedness which was ultimately fixed at $18,000 was owing those who did not have Credit Interchange information available to them.

The three petitioning creditors in the bankruptcy proceedings were members of a group operated entirely independent of and apart from Credit Interchange.

The only sure protection against commercial crooks must be built up by creditors themselves in the exchange of their information. The vital requirement is that they have a single medium to which all of them will report new orders as they are received. The degree to which that information is scattered actually determines the degree to which the commercial fraud scheme will be successful.

This case proves the point. What an opportunity it offers the National Committee to say "We told you so!" if they were so inclined.

The Executive Manager reports:

■ In accordance with our precedent, and as promised in the December *Members' Bulletin,* I am giving a summary of the Development Program Fund as to receipts and expenditures from the beginning of its operations, namely, May 1, 1937, up to and including the month of October, 1938.

Amount of Subscriptions Received
SUMMARY
October 31, 1938

Eastern Division	$ 98,982.42
Central Division	74,909.00
Western Division	39,151.95
	$213,043.37*
Miscellaneous—unallocated	22,500.00
	$235,543.37**

** Included in the above figures are miscellaneous allocated subscriptions amounting to $4,075.00.*

*** Not included are some $25,000.00 of conditional pledges on which there is a reasonable expectancy of no less than $20,000.00.*

Amount of Subscriptions Received by Cities
EASTERN DIVISION
October 31, 1938

Baltimore, Md.	$ 4,521.67
Boston, Mass.	3,456.25
Binghamton, N. Y.	525.00
Hartford, Conn.	240.00
New York, N. Y.	62,572.50
Newark, N. J.	1,375.00
Norfolk, Va.	215.00
Philadelphia, Pa.	1,445.00
Pittsburgh, Pa.	5,686.00
Roanoke, Va.	290.00
Rochester, N. Y.	8,539.00
Richmond, Va.	3,020.00
Syracuse, N. Y.	3,715.00
Tampa, Fla.	377.00
Worcester, Mass.	1,690.00
Miscellaneous allocations, etc.	1,315.00
	$98,982.42

Amount of Subscriptions Received by Cities
CENTRAL DIVISION
October 31, 1938

*Chicago, Ill.	$ 3,477.50
Cincinnati, Ohio	6,712.00
Cleveland, Ohio	12,292.50
Chattanooga, Tenn.	2,142.50
Columbus, Ohio	770.00
Dayton, Ohio	530.00
Detroit, Mich.	12,180.00
Green Bay, Wis.	810.00
Grand Rapids, Mich.	4,000.00
Kalamazoo, Mich.	750.00
Knoxville, Tenn.	825.00
Lincoln, Nebr.	1,645.00
Lansing, Mich.	600.00
Milwaukee, Wis.	7,655.00
Minneapolis, Minn.	8,217.50
New Orleans, La.	4,270.00
Omaha, Nebr.	2,375.00
Sioux City, Iowa	420.00
South Bend, Ind.	1,550.00
Sioux Falls, So. Dak.	832.00
St. Joseph, Mo.	600.00
Shreveport, La.	290.00
Miscellaneous allocations, etc.	1,965.00
	$74,909.00

** Chicago subscriptions are preliminary.*

Amount of Subscriptions Received by Cities
WESTERN DIVISION
October 31, 1938

Bellingham, Wash.	$ 100.00
El Paso, Texas	930.00
Portland, Oregon	5,184.50
Pueblo, Colo.	120.00
Phoenix, Ariz.	530.00
Salt Lake City, Utah	3,000.00
Seattle, Wash.	8,037.45
San Francisco, Calif.	13,180.00
Los Angeles, Calif.	6,752.50
San Diego, Calif.	522.50
Miscellaneous allocations, etc.	795.00
	$39,151.95

One of the questions that arose early in the Development Program Fund investment was the subject of how to cover its administration costs. The General Development Program Committee decided after conferences with us that the best way to handle the burden of miscellaneous expenses shouldered upon the National office due to the Development Program was to allow a 10% administration charge. It was clearly stated at the committee meeting that this charge would not be adequate. However, in the interest of the conservation of the fund, and for as long as it was possible for the National Association to do so, it agreed to absorb any excess thus limiting the so-called burden charge to 10%. The following items are included in the 10% charge.

1. Rent in general except where added space has been specifically taken.
2. Light.
3. Janitor service.
4. All postage charges except where the individual mailing involves more than $1.00.
5. All telephone calls except specific long distance phone calls.
6. All telegraph charges except charges of $1.00 and over.
7. Messengers, office boy, mailroom expense.

8. Use of all typewriters and office equipment.
9. Casual clerical assistance and general clerical force not specifically working on Development Program.
10. Accounting and billing expense.
11. Stenographic expense of staff secretaries not assigned to specific Development Program work.
12. Time and expense of Executive Manager and staff members in general direction of Development Program expenditures where not assigned full time to this work.

You will note that we have maintained the ratios between tangible and intangible expenditures.

The Sales and Promotion staff has had its expenses equally divided because obviously it is engaged in a general coverage work.

As of October 31st the cash on hand, subscriptions receivable and conditional pledges that will be converted into receivables total approximately $100,000.00. The total fund raised was less than half that which was deemed necessary if the full program were to be put into effect. Nevertheless, the dividends accruing from the greatly reduced fund in the opinion of the subscribers, as reflected in the letters we have received, have been very satisfactory.

It must be evident, however, that the program will have to be contracted unless certain primary markets, which have not participated in this fund, decide to do so. It will be the aim and objective of committees and the personnel charged with the administration of the fund to continue expending it in the best possible fashion so as to make possible the greatest benefit to the credit fraternity and, consequently, to American business.

Summary of Expenditures authorized by the various Development Program committees and confirmed by the National Board of Directors.

Interchange Groups and Business Service ..	$ 25,315.04
Adjustment and Collections	11,473.20
Education	11,077.94
Legislation	16,546.96
Sales and Promotion	44,792.60
Washington Service	4,500.00
General and Miscellaneous	4,392.92
	$118,098.66
Promotion expense in connection with raising the entire fund	26,720.51
Total......	$144,819.17

Summary		*Percentage*	*Ratio Tangible*	*Intangible*
Sales & Promotion	$ 44,792.60	37.9	18.9	19.0
Interchange Groups & Business Service	25,315.04	21.4	21.4	
Adjustment & Collections	11,473.20	9.7	9.7	
Education	11,077.94	9.4		9.4
Legislation	16,546.96	14.0		14.0
Washington Service	4,500.00	3.8		3.8
General & Miscellaneous	4,392.92	3.8		3.8
	$118,098.66	100.0	50.0	50.0

Summary of total expenditures to October 31st 1938

	Interchange Groups and Business Service	Adjustment and Collections	Sales and Promotion	Education	Legislation	Washington Service	General and Miscellaneous	Total	Ratio to Total
Salaries	......	$2,174.96	$23,292.46	$6,413.10	$9,013.37	$4,500.00	$250.01	$45,643.90	38.6%
Traveling expense	$999.72	403.13	9,110.76	1,808.09	2,150.98	......	1,127.73	15,600.41	13.3%
Committee meetings	1,715.78	185.02	......	......	126.10	......	1,445.62	3,472.52	3.0%
Unauthorized Practice of Law	......	7,814.29	......	......	......	......	......	7,814.29	6.6%
Member Monthly Bulletin	......	......	4,917.79	......	......	......	......	4,917.79	4.2%
New England and Eastern Development	19,895.15	......	......	......	......	......	......	19,895.15	16.7%
Social Security Tax	......	82.50	915.89	239.33	312.86	......	9.99	1,560.57	1.3%
Furniture & Fixtures	866.22	......	......	176.80	487.90	......	922.35	2,453.27	2.1%
Miscellaneous—staty., printing, postage, etc.	1,105.17	3.60	2,484.24	1,449.79	2,995.82	......	321.70	8,360.32	7.1%
N.A.C.M. Burden Charge	733.00	809.70	4,071,46	990.83	1,459.93	......	315.52	8,380.44	7.1%
•	$25,315.04	$11,473.20	$44,792.60	$11,077.94	$16,546.96	$4,500.00	$4,392.92	$118,098.66	100.0%

Social Security pamphlet available to members

The Social Security Board has just issued a pamphlet entitled "Brief Outline of Employer's Duties Under the Social Security Act." This pamphlet concisely explains what employers need to do under both the Unemployment Compensation Program and the Federal Old Age Insurance Program of the Social Security Act. It is the latest information of this kind available.

The Association's Washington Office understands that, at the end of December, a copy of this pamphlet was to be distributed through the postmasters to all employers now reporting under Title VIII of the Act.

Members of the Association desiring another copy of this Social Security pamphlet, however, or who did not receive the pamphlet at the end of December, may obtain a copy by writing to the Washington Office of the Association, 410 Munsey Building, Washington, D. C., and enclosing with their request three cents postage to cover the cost of mailing.

Washington Bureau supplies many publication requests

■ Almost immediately after the publication of the November issue of the *Members' Bulletin* hundreds of requests, from members throughout the country, for copies of government publications began to flow into the Washington Office of the Association. This prompt and widespread response to an offer, as published in the Bulletin, to supply copies of important government publications to members, upon receipt of postage to cover the expense of mailing, indicates the need of this service.

Accordingly, subsequent issues of the *Members' Bulletin* will carry other announcements of governmental publications or releases which the Washington Office will undertake to furnish to members on a similar basis. The Washington Service Bureau of the Association urges all members to take full advantage of the service which the N.A.C.M. is maintaining in Washington for their benefit.

1939 brings opportunities to protect credit by legislative action in 43 state legislatures.

Members and local Association staffs: Organize NOW for this important work.

Tribute to N. A. C. M.

■ R. L. Barnum, Wall Street correspondent of the Springfield, Mass., "Republican," in the opening paragraphs of a special dispatch to his newspaper, says:

"The National Association of Credit Men has a membership of 20,000 persons engaged in banking, manufacturing and wholesale lines. Wall Street, based on past records, has a high regard for the studies of general business conditions sent out by this organization to its members monthly."

Fraud Prevention: the business watch-dog

■Editorial support of the fraud prevention activities of business organizations was expressed by the New York Times and the Wall Street Journal recently when it was publicly revealed that the Fraud Division of the Better Business Bureau might have to be closed because of curtailed funds.

In its editorial, the Times pointed out that "a complacent impression prevails that government agencies have taken over the functions of this fact-finding division and are regulating fraud out of existence. Nothing could be farther from the truth. In flexibility, promptness and scope this private fraud prevention bureau is irreplaceable."

Further in the editorial, the Times emphasized the point that "business has been demanding the right to regulate itself. How can it do so if our financial firms neglect to oil the very machinery which makes this possible? . . . It is inconceivable that business itself, and particularly the financial interests of New York City, will permit its own watchdog to beg for his supper."

In the Wall Street Journal, the editorial struck a similar note: "Here is an example of self-regulation and indeed of self-policing of business which at once reinforces the official supervision and to a very considerable extent reduces the necessity of its exercise."

The type of cooperative effort which these two outstanding newspapers applaud, in connection with the fight by business on commercial fraud, has been continually expressed in the N.A.C.M.'s Fraud Prevention Department work.

That the support of the N.A.C.M. fraud prevention activity by business, and the cooperative effort of the department with local, state and federal enforcement agencies, have been beneficial, are quickly apparent when we review the record for the past 12 years of the Fraud Prevention Department.

In that time it has accounted for 2,909 indictments, 1,645 convictions, and has recovered for creditors a sum approximating two million dollars. This sum alone has equalled the amount contributed by business in its fight on commercial fraud. But that consideration must not becloud the fact that, besides dollars recovered, the fraud prevention work has been an important deterrent to the spread of fraudulent activity in the business world. Further information about the service and its results is available through Charles J. Scully, Director, Fraud Prevention Department, N.A.C.M.

NEWS ABOUT CREDIT MATTERS

Bosschart will preside at Natl. Directors' parley

San Francisco.—National President Dan Bosschart of the Eng-Skell Co. is now making preparations for attendance at the annual meeting of the National Board of Directors and Officers of the N.A.C.M. in New Orleans, Jan. 12-14.

Mr. Bosschart has been very active in Association work since his election to the presidency. Following a tour of credit associations in the Western Division in the early fall, he then traveled across country to New York with Mrs. Bosschart in October. In the course of his return journey he attended the Tri-State Credit Conference in Philadelphia, the Michigan Credit Conference in Detroit, the annual Trade Group dinner meeting of the Chicago A.C.M., a meeting with the Officers, Board of Directors and Committee Chairmen at St. Louis, and a membership luncheon meeting at Dallas.

Christmas functions feature the holiday meetings and dinners of many local credit associations

San Francisco.—The December meetings of the Credit Managers Association of Northern and Central California were in the nature of Christmas parties. In Fresno, under the chairmanship of Joseph Pimentel, Colyear Motor Sales Company, a dinner dance was arranged at the Fresno Hotel on Dec. 17, which attracted about 150 members and friends and their wives for a very pleasant evening of entertainment and dancing.

In Sacramento, under the leadership of W. W. Workman, Union Oil Company, the Christmas party in the Elks' Club on Dec. 3 was attended by over 114, including our National President, Mr. Bosschart, and Mrs. Bosschart. The evening included a splendid dinner followed by dancing and entertainment, with almost everyone receiving a prize. The prizes were contributed by members in the Sacramento territory.

In San Francisco, the Christmas party was held at the St. Francis Hotel on Dec. 17, with O. W. Layman as chairman of the entertainment committee. National President and Mrs. Bosschart were also honor guests at this function, which attracted 450 participants. The occasion was also honored by the attendance of past National Association of Credit Men Presidents, Frank D. Rock and Eugene L. Elkus.

St. Louis.—The annual Xmas Party of the St. Louis A.C.M. was held Saturday evening, Dec. 17, in the ballroom of the Hotel Statler. Executive Manager Henry H. Heimann and family were guests at the meeting and Mr. Heimann gave a brief business talk and Xmas message. Dancing, a floor show and gifts featured the evening's entertainment.

Richmond.—The Christmas meeting of the Association was held at the Westwood Supper Club, Thursday, Dec. 15. This included dinner, entertainment, Christmas cheer and dancing.

Wichita.—The annual Xmas Party was held on Tuesday, Dec. 20, at the Innes Tea Room. Many members contributed special gifts as has been the custom in recent years to add the "finishing touch" to an interesting occasion for all.

Hon. Victor Murdock presented a scholarly talk before the Wichita A.C.M. at the November meeting. Mr. Murdock took us back to business conditions at the time of the Civil War and carried us over the crests and through the hollows of business up to the present time. His com-

Grand Rapids features broadcast at meeting

Grand Rapids.—Wm. E. Odom spoke on the "Wages and Hours Law" before the Nov. 29 dinner meeting of the Association. He also touched on the Wagner Labor Relations Act. As an added attraction the broadcast of the Fraud Prevention play over Station WJR, Detroit, starring Edward G. Robinson and Claire Trevor, was made available to the members at the meeting through a radio especially installed for the evening.

N.A.C.M. Director meets fraud broadcast stars

Los Angeles.—A few days prior to the broadcast of "Smart Guy," based on the Fraud Prevention work of the N.A.C.M., the group above met in the studio of Station KNX just before rehearsal by the cast of the play sponsored in the "Big Town" series of broadcasts by Lever Bros. Co., Cambridge, Mass.

From left to right they are Clark Andrews, program director and husband of Claire Trevor, who stands at his left and co-stars with Edward G. Robinson, who is second from the right. In the center is R. W. Watson, Vice President, Bank of America, N.T.S.A., Los Angeles, and National Director of the N.A.C.M. At the extreme right next to Mr. Robinson is S. P. Chase, Secy.-Mgr., LACMA.

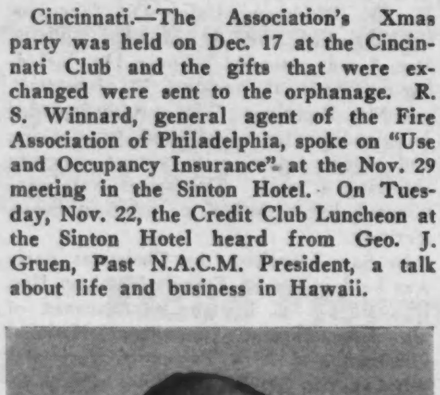
On the evening of the broadcast a block of seats was turned over to the Los Angeles Association and a group of about 45 officers and directors of the Association, with their wives, attended. Just before the opening announcement, LACMA President N. S. Davis and Secretary Chase were given a "plug" from the platform.

posite pictures of actual conditions from decade to decade were interesting and instructive; especially those of the excessive spending days of 1918-20 and the present condition of inflated credits and abuses in Government affairs.

South Bend.—The annual Xmas Party of the South Bend A.C.M. was held in the LaSalle Hotel on Thursday evening, Dec. 15. A turkey dinner, followed by dancing and a frolic with special stunts and prizes, featured the evening. The occasion was under the chairmanship of Fred Knoblock, Jr., and members of the entertainment committee.

Boston.—The annual Xmas party and ladies' night was held at the Hotel Bradford on Dec. 19. It was an informal evening and well received by every one present. Under the chairmanship of Edgar S. Stanley, the Boston C.M.A. membership committee is actively at work. To each member of the Association there was recently sent a complete roster and a form list on which present members can list prospects for membership in the Association.

Cincinnati.—The Association's Xmas party was held on Dec. 17 at the Cincinnati Club and the gifts that were exchanged were sent to the orphanage. R. S. Winnard, general agent of the Fire Association of Philadelphia, spoke on "Use and Occupancy Insurance" at the Nov. 29 meeting in the Sinton Hotel. On Tuesday, Nov. 22, the Credit Club Luncheon at the Sinton Hotel heard from Geo. J. Gruen, Past N.A.C.M. President, a talk about life and business in Hawaii.



Isaacs heads N. Y. group

New York—Victor Isaacs, Central Paint & Varnish Works, was elected President of the Paint & Allied Industries Credit Association at its December meeting. Serving with him are the following: 1st Vice President, Mr. Wm. L. Lang, Devoe & Raynolds Co., Inc.; 2nd Vice President, Mr. Charles J. Monasch, Atlantic Calsomine Co., Inc.; Treasurer, Mr. Paul Knappen, Eagle Picher Sales Co.

Mrs. Katherine E. Ogren

New Britain.—Mrs. Katherine Emma Ogren, wife of Edward E. Ogren, Credit Manager, The Stanley Works, New Britain, and Director, N.A.C.M., died on Dec. 10 at her home after an illness of several months. Funeral services were held on Dec. 13 with burial in Fairview Cemetery. Surviving Mrs. Ogren are her husband, a daughter, her mother, Mrs. Hattie Schwab of California; four sisters, Mrs. Raymond Senkle, Mrs. William Lee and Mrs. Wesley Bond, all of California, and Mrs. Minnie L. Bunce of Berlin.

Mrs. A. R. Wilson

Denver.—Mrs. A. R. Wilson, wife of Past N.A.C.M. Director A. R. Wilson, died on Nov. 8. Funeral services were held on Saturday, Nov. 12. A life-long resident of Colorado, Mrs. Wilson was a graduate of California State College of Education and in recent years was active in affairs of Montview Boulevard Presbyterian Church and numerous women's clubs.

She leaves her husband, Arthur R. Wilson, Secretary, Auto Equipment Co.; two daughters, Mrs. Verda W. Johnson and Miss Lorraine G. Wilon, and a son, Ralph.

Yuletide logs for door prize

Syracuse.—Attorney Henry S. Fraser discussed "The New Wage and Hour Law" at the Nov. 28 meeting of the Syracuse A.C.M. The program was conducted by the Educational Committee as the second credit forum of the year.

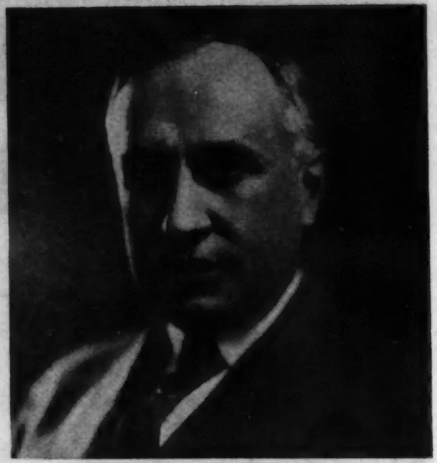
The December dinner meeting of the Syracuse A.C.M. heard Victor M. Mittlefehldt of the International Business Machines School speak on "Modern Mechanical Methods for Credit Accounting." The door prize at the meeting was a cord of Yuletide logs donated by Keller & Goetz.

Gruen visits Honolulu

Honolulu.—Past N.A.C.M. President, George J. Gruen, The Gruen Watch Company, Cincinnati, O., visited here in October. While here he conferred with N. B. Young, Secretary of the Honolulu A.C.M. and leaders of the Association at a luncheon at the Commercial Club. Mr. Gruen presented a short talk which was followed by a forum discussion.

Turkey prizes at Baltimore

Baltimore.—Thanksgiving turkeys were awarded to R. C. Smoot, H. F. B. Kerr, Harry Epstein and O. E. Hickman for procuring members. They receive our thanks as well. Several members have developed prospects which they expect to close very shortly. In fairness to them and because of the interest displayed, the turkey offer was renewed for Christmas.



Edward M. Tourtelot

Chicago.—His many friends in credit, social, and banking circles mourned the death on Nov. 27 in Chicago of Edward M. Tourtelot, for many years active in the work of the Chicago and the National Associations of Credit Men.

Mr. Tourtelot entered the service of the First National Bank of Chicago in 1901 and at his death was a Vice President of the same organization, a post to which he was elected in 1931 after having served as Manager of the Credit Department of this bank for five years. As a banker he was active in the Robert Morris Associates, being President of the Chicago Chapter and later National President of the organization.

His credit association affiliations covered many spheres of activity. He was well known at national conventions. In 1922 he was elected a Director of the Chicago A.C.M. and appointed Chairman of the Banking and Currency Committee on which he served as Chairman or member intermittently for the next several years.

He was Treasurer of the Chicago A.C.M. in 1930 and served as President of the organization for the 1931-1932 term. In 1933 he was Chairman of the Banking Relations Committee and a member of the Bankruptcy Law Committee, serving the following year as Chairman of the Case Committee of the Fraud Prevention Department.

In 1934 he was again elected President of the Association which was followed by his selection at the Los Angeles National Convention that year as a National Director for a three-year term. He was General Convention Chairman of the Chicago Convention in 1937 although illness at that time prevented his attendance.

Jim McKelvy has broken arm

Denver.—Secretary Jim McKelvy is recuperating from a broken arm which put him in the hospital four days and sent him back to the office with his arm in a cast. It happened on Sunday, Nov. 27, while he was "fooling around in the backyard and slipped on the ice," to use his own words. Best wishes for a speedy, complete recovery, Jim.

Court honors late W. H. Moore, Jr.

Los Angeles—An impressive but simple memorial service was held recently in the courtroom of Judge Paul J. McCormick of Los Angeles in honor of the late Wm. H. Moore, Jr., Trustee in Bankruptcy, who died September 29, 1938.

Among those honoring Mr. Moore were the following Judges of the U. S. District Court: Hon. Wm. P. James, Hon. Harry A. Hollzer, Hon. Paul J. McCormick, Hon. Leon R. Yankwich, Hon. Ralph E. Jenney. The following Referees in Bankruptcy also took part in the service: Samuel W. McNabb, Hugh L. Dickson, Ernest R. Utley, Benno M. Brink.

In opening the service Judge McCormick said that the meeting was called at the suggestion of many members of the Bar. He said that Mr. Moore was "a man of the strictest integrity, one whose industry was untiring and incessant and who at all times manifested the highest standards of American business and economic life.

Mr. Moore had for over 25 years been appointed by the Judges or Referees in Bankruptcy in that Court as a Receiver or Trustee in Bankruptcy.

Norman Bailie, Past President of the California State Bar, Judge Pacht, Referee McNabb, State Senator Weller, and Thomas S. Tobin, of Craig & Weller, attorneys, were asked by the Judge to express their appreciation before the Court of Mr. Moore's work, following which a memorial resolution in Mr. Moore's honor was ordered "graven upon the minutes of this Court," a certified copy being sent to members of his family.

Binghamton:

The local Association was active in calling the attention of the personnel of each member firm to the broadcast of the Fraud Prevention Department playlet on the "Big Town" program on November 29. Bess R. Havens, chairman of the publicity committee of the First National Bank Club, and a leader in Credit Women's activities in the Association, prepared a special bulletin for each member of the Bank Club calling their attention to the broadcast and the fact that the Triple Cities Association through the N.A.C.M. had a part in this broadcast.

Education at Rochester

Rochester.—The local chapter of the National Institute of Credit has outlined a full schedule for the current season. With courses in Credits and Collections each Tuesday, Advance Credit each Monday and Business English each Thursday.

At the opening meeting of the fall on Oct. 11, S. Miles Bouton spoke on the timely subject of "Why War Must Come." Executive Manager Henry H. Heimann addressed the Association membership on Oct. 26, which was a joint meeting with the Rochester Chamber of Commerce.

On Nov. 9, Isaac Marcosson, well known journalist, was here as speaker. The December meeting was again jointly held with the local Retail Credit Association. In January the meeting will feature "Bankers' and Executives' Night" while the annual Ladies' Night party is scheduled for February, Membership night for March and Trade Group night for April.

Jersey men will aid arbitration

Newark.—The New Jersey Association of Credit Men has appointed an arbitration Committee at the special invitation of the Essex County Bar Association. Those who will serve on this arbitration committee are E. R. Mellon, Weston Electrical Instrument Corp., Frank Caffrey, Pittsburgh Plate Glass Company, G. H. Rothweiler, Murphy Varnish Company.

Seattle:

Trustees' night was held on Nov. 14 at the Dolly Madison Tea Room. It was attended by a goodly number of members, trustees and officers of the Association. Victor E. Roble, Star Machinery Co., showed films of his recent six months' tour of Europe.

Sacramento:

Discussion as to the feasibility of organizing a Credit Women's Club in Sacramento has been under way.

ZEBRAFFAIRS

Cleveland:

A reorganized Herd of Zebras is under discussion here. It is planned to make it both fraternal and social, a self-conducted and self-governed body with certain definite qualifications for eligibility to membership.

Milwaukee:

Official installation and initiation ceremonies were held on Friday, Dec. 2, at the Hotel Schroeder. On Nov. 26 a bowling tournament was sponsored by the Zebras with lunch at four o'clock provided by the Zebra Club.

New Orleans:

The New Orleans Herd of the Royal Order of Zebras at their annual meeting Wednesday, Nov. 16, at the Jackson Brewing Co., elected the following officers: Exalted Superzeb, C. A. Kepper, Gerde Newman Co.; Most Noble Ass of Asses, A. E. Maurin, N. O. Public Service; Royal Jackass, A. P. Spaar, Woodward Wight & Co.; Three Horse Power Burro, M. S. Rothschild, I. L. Lyons and Co.; Keeper of the Zoo, J. Henry Warner, Kohlman Bros. & Sugarmann; Zebratary, J. Bowling Charles, N.O.C.M.A.

Pittsburgh:

The Pittsburgh Herd held its Second Fall Frolic at North Park Lodge on Saturday, November 12. The Three Horse Power Burro Ed. Schramko was chairman of the affair, and was assisted by Superzeb Fred. Menges; R. J., Jos. Solinsky; Jack Eichenberg; Jim Maloney; Fred Whitlinger and Harry Byers.

The 140 members and friends of the Herd, who attended, found that the Committee gave plenty of thought to the various ways of entertaining. Besides the usual punch and lunch served by caterers and the valuable door prizes distributed later in the evening, the Committee provided something unique and different for this affair. They hired two dance instructors, both professional dancers, who, besides their specialty dances, selected several men from the group on different occasions and proceeded to step off on some of the latest dances. After a demonstration of several minutes, all present joined in the dance—a regular merry-go-round. Our President, Deane Hayes, and "Chief" Oliver were very adept students in learning the "Lambeth Walk," and after their demonstration, the entire group fell in line. For the rest of the evening such dances as the Waltz and Foxtrot were practically forgotten.

The Pittsburgh Herd members are showing some good results in selling new memberships for the local Association. They accounted for four contracts during November, and have six good prospects who will probably sign in December. Most active in this work is our Eastern Divizeb, Floyd Ferguson, who accounted for several new members during the past two months. Our M. N. A. of A., Byron Stump, has kept his stripes bright and clean by signing up one of our largest manufacturers during November. Other local Herd members are working hard, and will give a good accounting when the end of the fiscal year rolls around.

St. Paul:

The local Zebra Herd gathered in the corral on Nov. 23 and after using the feed bags elected the following officers: Exalted Superzeb, C. D. Maclaren, Northwestern Jobbers Credit Bureau; Three Horse Power Burrow, G. I. Ashton, St. Paul Foundry Co.; Royal Jackass, S. C. Brennon, Paper, Calmenson Co.; Most Noble Ass of Asses, A. J. Schlirf, Garrott's Chocolates; Keeper of the Zoo, W. R. Beardsley, Tilden Produce Co.; Wrangler, H. L. Cummings, Westinghouse Elec. Sup. Co.; Zebratary-Treasurer, E. W. Budke, Curtis "1000," Inc.

Three stag meetings during the current year are planned and the local Herd is preparing for the Northwest Credit Conference in April.

Headlines and deadlines:

To make a headline, remember the deadline: 15th of month before issue. Send all items of local credit association activity to: Paul Haase, Public Relations, N.A.C.M., One Park Ave., New York.

OUR DISTAFF SIDE

130 members for Chicago

It gives us great pleasure to present, through the pages of our National magazine, a few of the highlights of the history of The Credit Women's Club of the Chicago A.C.M. This, we hope, will be of interest to our sister clubs and an inspiration to small unaffiliated groups who are now, as we were once, groping their way with the hope of future organization.

Yes, once upon a time, back in 1926 to be exact, we were just a bunch of girls with a deep and abiding desire to acquit ourselves of our credit manager positions with equal ability to that of our fellow credit men. To that end we needed knowledge concerning the tools of our craft and how to use them.

But where was this information to be obtained? Most doors were closed to us. University classes were not available for all. Our Young Men's Christian Association provided excellent evening courses in Credits and Collections but would not accept women students. What to do?

To make a long story short, our Association Secretary, Mr. J. F. O'Keefe, outlined a course and secured lecturers to speak on credit topics to us. Every phase of credit work and management was expertly covered. Twenty-seven members attended this class faithfully and when it was over they felt they could not stop there; the work must go on.

So this little group became the nucleus of our Credit Women's Club which today has an active membership of 130 with an average attendance at monthly meetings of 80. Our avowed purpose is: "To promote and advance the interests and activities of women engaged in credit work and to cooperate with the Chicago A.C.M."

We are "National-minded" as well, having enjoyed representation on the National Credit Women's Executive Committee for many years. It is our endeavor always to support National Conventions with a worthwhile delegation, and usually about seventeen members answer the call from the favored "Mecca."

This, in brief, is the record of our progress from a rather inauspicious beginning. We deeply appreciate the opportunity to tell our little story and trust it has been at least of passing interest.

Los Angeles:

Parties have been the order of the day in the city lately with the Alpha Nu Theatre Party on Nov. 28, and the Women's Division of LACMA holding its annual Xmas party at the Chapman Park Hotel on December 12, and the Association's annual Xmas affair on Dec. 16. At the Dec. 12 event there was a prize drawing with chances on the lucky number going to everyone sending in the name of a prospect for membership in LACMA.

Philadelphia:

The Credit Women's Club joined the Credit Men's Association of Eastern Pennsylvania on Dec. 16 in the Benjamin Franklin Hotel for the fourth annual Xmas Party. The affair included a reception, dinner and dancing. Joseph M. Helmig was general chairman for the occasion. Door prizes, gifts from Santa Claus and a floor show featured the evening which was called "Evergreen Night."

New York:

Miss Catherine Cohen, New York Girl Coat Co. and Secretary of the New York Credit Women's Group, submitted at the regular November dinner meeting a well-written report on the Tri-State Conference in Philadelphia, Oct. 21-22. Both she and Miss Marion E. King, Hudnut Sales Co., Inc., chairman of the Group, were enthusiastic in their praise of the warm hospitality extended the New York delegates by the Philadelphia Credit Women's Group.

Miss Lillian M. Guth, Emerson-New York, Inc., supplemented these reports with one on the Credit Women's Breakfast, enlarging especially on the resolution adopted, and later submitted to the entire conference, with respect to the development of the scholarship program, which has been in effect in New York for some time on a national basis.

The Dec. 1 meeting of the Group was addressed by Messrs. M. A. May and O. A. Sheffield, in charge, respectively, of the Reportorial Department and the Service Control Department of Dun & Bradstreet, Inc. An invitation has been extended to the members of this Group to be their firm's guests some day in January, for a conducted tour of the entire organization. It is expected a large number will avail themselves of this invitation.

The annual Xmas Party was held on Dec. 29. Plans included a musical program by the Music Club—its first public appearance.

Chairman King announced that a luncheon and card party is scheduled for Saturday, Jan. 21, for the purpose of raising funds to carry on the Group's educational program.

Miss Killmer

Cleveland:

The annual meeting of the Cleveland Credit Women's Group was held on Nov. 15 with a short business session and a program of entertainment. The new officers of the club are: President, Mrs. Lucy Geib Killmer; Treasurer, Miss Nettie Charvot; Secretary, Mrs. Florence Flickinger, and Honorary President, Mrs. Olga McAree.

Seattle:

Social niceties of the modern credit woman are pointed out in "Debits and Credits," publication of the Seattle Credit Women's Club. The publication states that "1. She's well poised, eager and ambitious. 2. She wears clothes well and uses cosmetics in an intelligent manner. 3. She's diplomatic, has an all-around good nature, charm, and a touch of worldly wisdom!"

San Francisco:

Instead of giving gifts to each other at the Xmas party in December, the members of the local Credit Women's Club each brought a toy which was donated to the Russian Children's party.

Kansas City:

H. M. McDonald, Cities Service Company, presented an entertaining, as well as instructive talk for the Credit Women's Club at the Bellerive Hotel, Tuesday, Nov. 15. Vocal duets by Marie Schmidt and Ray Kerns, the Association's "Membership Man" were followed by a humorous skit presented by the social committee headed by Mabel Fitch.

Rochester:

As in former years, Xmas baskets were sent out by the local Credit Women's Club this last month. Club members were asked to help by bringing articles of food for the baskets.

Credit women's breakfast clubs

The Credit Women's Breakfast Club idea was organized in Portland, Oregon, in 1930 as a local organization, but was so successful and popular it soon spread to other cities of that section. The International (so-called because a few Canadian Clubs were represented) Credit Women's Breakfast Club was organized in June, 1937, and is affiliated with the National Retail Credit Association.

The first club organized in Kansas was in Topeka about a year ago. Wichita, the second club, was organized in March 1938, the Wichita "Creditalk" informs us. The State organization was completed in Emporia, October 16, 1938, with Miss Martha Joe Springgate of Arkansas City as first State President. Wichita had 14 members present at the organization meeting.

There are seven organized clubs in the State — Topeka, Arkansas City, Emporia, Hutchinson, Newton, Wellington and Wichita.

"A Dollar's Worth of drugs, please. I'll compound them myself"

As a pharmacist, you know what would happen to the customer who compounded his own prescriptions—a short life and not a very merry one. Fortunately, most customers know this, too, so they cheerfully pay for *your* services as an expert middleman and an authority on *your* subject.

When the retail druggist buys insurance from the experienced agent or broker of a stock insurance company he does not say "$50 worth of insurance please." He asks for and gets the advice and full services of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

*   *   *

Because we believe so thoroughly in the services of an expert middleman whether retail druggist, insurance agent or broker we refuse to accept business direct because it is not in the interests of the Company or the assured to do so. When *you* buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

● This is a reprint of an advertisement of a stock-insurance company directed to the independent business men in the drug trade in your city.

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(*Continued on page* 48)

Trends in Trade Outlets

What of Stores of Future?

(*Cont. from page* 12) outlets in which changes are occurring. Super markets have been mentioned incidentally. Mail-order houses afford another of the more intriguing phases of retail distribution since they combine in their current organization many of the characteristics of chains and department stores. The leading companies in this field have achieved no little success from their venture into the department store field. They have also established tire and automobile accessory stores operated on the chain store pattern. At the same time the mail-order business has been continued, but efforts have been made to limit it to territories not served by branch stores.

There are two significant trends in retailing designed to strengthen the position of the independent merchant. The first of these is the cooperative chain movement, or distributive cooperation. This movement has spread widely in the grocery trade, sometimes sponsored by wholesalers and sometimes strictly a retailer's cooperative effort. The very growth of the system is some evidence of its utility to independent retailers to whom it offers some of the advantages of the corporate chains while permitting the retention of a substantial measure of independent autonomy.

What of Shopping Centers?

The second trend is the rapid appearance of neighborhood shopping centers with adequate parking space for automobiles. These centers are springing up in many cities and apparently attracting a large volume of patronage. While chain stores are not excluded from them, it is common to find independent drug stores, bakeries, delicatessens, hardware stores, and many others.

Consumers cooperation has not been discussed, not because it is not significant but rather because its significance cannot be measured solely on economic grounds. Despite a rapid increase in consumers cooperation in recent years, the movement scarcely accounts for half of one percent of total retail sales. As a social movement, representing a distinctive point of view, and as a potential competitive threat, especially should chain stores be eliminated by legislation, the consumers cooperative movement should be watched carefully.

Conclusion

In conclusion, manufacturers and wholesalers should watch closely the changing pattern of retailing. They are interested vitally in an effective retailing structure which is able to perform its functions efficiently. In this age of mass production, it would be fatal to allow the final dams in the stream of distribution which feed the flow of merchandise into consumption to become clogged or what is worse washed away by sudden emotional outbursts which are not based upon a full knowledge of the facts.

Fair Labor Standards Act

Some New Interpretations

(*Cont. from page* 26) been received from banks (both commercial and savings), building and loan associations, personal loan companies, insurance companies, newspapers, telephone companies, radio broadcasting stations, toll bridge companies, water supply companies, electric and gas utilities, stock brokers, security dealers, factors, printing and binding concerns, advertising agencies, commercial art firms, investment counsel, compilers of mailing lists, credit rating agencies, legal firms, accounting firms, engineering firms, firms engaged in making geological surveys, concerns engaged in compiling and distributing information to lawyers regarding new legal developments, companies engaged in renting construction equipment, companies engaged in supplying watchmen, guards and detectives for industry, building contractors, warehouse companies, machine shops and foundries, drydock companies, companies engaged in contract oil-well drilling and dental laboratory and supply houses. Each asserts that it is engaged in rendering 'service.' Although we recognize that the foregoing companies perform 'services,' it is nevertheless our opinion that such enterprises are not, in the ordinary case, sufficiently similar in character to retail establishments to be considered 'service establishments' within the meaning of Section 13(a) (2). This opinion is not free from doubt in respect of some of such classes of businesses and does not purport to embrace all possible subclassifications.

"In a broad sense every business performs 'service,' yet no one would seriously urge that all types of businesses were eligible for exemption under Section 13(a)(2). It would be surprising indeed, if Congress had intended by the one word 'service,' as used in the phrase 'retail or service establishment,' to grant an exemption broad enough to include all of the above-mentioned classes of businesses, and there is nothing in the legislative history of Section 13(a)(2) to support such a conclusion."

New Yorkers Warn of Bankruptcy Dangers

The Uptown Credit Group and the Downtown Textile Credit Group, affiliated in National Federation of Textiles, 10 E. 40th Street, New York City, recently issued the following statement regarding the new bankruptcy law, which will be of interest to credit executives in other sections of the country:

It is the general opinion of credit men that the Chandler Bankruptcy Act is a long step toward a progressive and constructive administration of debtors' estates which find themselves in such financial difficulties as require them to deal with creditors under Court protection.

They feel judges and bankruptcy referees particularly in the Southern and Eastern Districts of New York have tried to handle cases under the new Act constructively and in the interest of all concerned for which they are to be complimented.

However, there is one element which should be stressed particularly when lawyers and accountants are called upon to advise clients finding themselves in difficulties. We refer to the possibility of burdening the Courts with cases entirely possible of solution through conference with creditors and thus not only avoid taking unnecessary cases into the Courts but likewise minimize the cost of handling such cases both in the interest of debtor and creditors.

Speaking for our business organizations, the Uptown Credit Group, an affiliated Association of The National Federation of Textiles, Inc., and the Downtown Textile Credit Group, Inc., whose annual business combined total close to two billion dollars, reaffirm their belief that matters concerning the affairs of involved debtors are fundamentally business problems which can often be solved by businessmen around the table and without involving the routine and expense of court administration. Our membership realizes the importance and necessity of the protection which the Courts afford in many involved cases and does not hesitate to recommend Court action where it appears necessary and advisable.

We believe this to be a recognized fact that many cases find their way into the Courts which should never be there. However, the Courts have no authority to refuse or reject such petitions and once filed, there is no other course left but to administer such cases in the most constructive manner possible under the interpretation of the law.

Members of the legal and accounting professions can be of material assistance in making the new Act an instrument of efficiency, where the protection of the Act is actually required in the interest of their client. They can be equally helpful first by not burdening the Court with cases which do not need the protection of Section Ten or Eleven and second, when Court action is necessary.

Frequent Check-up Is Urged on Valuations of Buildings

Those charged with the insurance problems in their companies, especially proper coverages for large industrial plants, need to bear in mind that replacement values of such buildings vary from year to year. For this reason insurance advisers urge a frequent check of such matters. Buildings erected in 1932 for example could not be replaced under present-day costs for at least one fourth more. It is pointed out that policies written to provide adequate coverage in '32 would not protect the replacement cost of such buildings today. This is particularly true where the insurance is written on a coinsurance basis, where the owner assumes part of the risk and covers but 80 or 90% under his coinsurance policy.

August Quast, special agent in Minnesota for the Boston and Old Colony, recently presented the following suggestions for determining building values for the purpose of adequate insurance coverage:

"Ascertaining the value of buildings for purposes of insurance is by no means simple unless the building erection was recent. Rarely, because of the expense, will an assured engage a contractor or appraisal concern to make estimates. Frequently the fees for such services would exceed the cost of whatever additional insurance may be required. Furthermore, the value thus determined would not necessarily remain uniform throughout the three- or five-year policy term. It should, in addition, be borne in mind that contractors, in competitive bidding, are frequently 20% apart in figuring the general contract and 10% apart on the plumbing, heating, electrical and miscellaneous jobs.

"Generally speaking, the cubic foot method of measurement cannot be applied with any degree of accuracy, particularly in connection with churches and public buildings. In instances where the known unit cost of a certain building can be applied to a similar building erected under identical conditions, it does prove a very satisfactory measuring stick. But the great variations in labor cost alone between urban, suburban and rural districts will usually develop considerable difference in cubic foot costs. Type of construction and degree of finish, auditorium space, room partitions, elevators, fire doors and window space are just a few of the other varying factors which must be taken into consideration.

"Whenever the original cost of a building can be obtained with some accuracy, the present sound value, for insurance purposes, can readily be ascertained by applying a cost index chart or conversion table and deducting depreciation.

"There are a number of nationally known contractors and appraisal companies publishing these building cost indices and conversion tables selling for as low as $1, and they should prove a ready and satisfactory reference in determining approximate replacement values. But more than ordinary care must be exercised in estimates for reproducing buildings erected during years such as 1916 and 1917, and 1920 to 1923 when costs for certain types of construction changed as much as 40% between January and December.

"The items of depreciation for wear and tear are simple, but each building must be treated on its own merits.

"In some sections of the nation, bricks, mortar and lumber break down under the extremes of temperature more rapidly than in other sections, and in certain sections of some states dwellings and mercantile buildings are more substantially erected than in other sections of the same state. The grade and type of construction, the class of occupancy, and the degree of maintenance must all be reckoned with. The life of certain buildings could be four times greater than the life of similar buildings under less favorable circumstances. The fairly good-sized school building of the non-fireproof type with wooden joists and floors, erected between 1890 and 1910, would perhaps possess a useful life of fifty years if of extra good construction and sprinklered.

"Taking fifty years as its normal life, 2% per annum or 60% depreciation would appear fair on a building erected in 1908. However, the wear and tear during the early life of a building is less than it is during its latter life, and this degree of depreciation might be offset by good maintenance, therefore, depreciation of 1% to 1½% per annum is customary.

"Fire-resistive school buildings of the modern type may be considered as possessing a life of 100 years, and depreciation should not exceed 1% per annum; but here again good maintenance and upkeep may offset the depreciation and one-half to three-fourths of 1% would be more logical for the period immediately following its erection before depreciation becomes a consideration.

"The future trend in building construction costs is highly conjectural, but the assured's requirements under a coinsurance clause are fixed and unknown. Should the inflation bogeyman become a reality, the coinsurance appendage will exact undiminished vigilance. Agents should be reasonably certain that buildings covered by them, even in instances where coinsurance is not involved, are adequately insured, and if they feel that the trend will move upward, it would appear that the agent having the advantage is the one who has equipped himself beforehand to permit discussion of the subject in a manner which will impress the insured.

"To this end I believe he will do well to fortify himself with the building cost index or conversion tables mentioned."

Questions — Answers On Insurance Items

QUESTION: *Does my fire policy protect me against damage done by an explosion which results in a fire?*

ANSWER: The ordinary fire policy does cover damage by fire which is the result of an explosion, but it does not cover the portion of the damage which was caused directly by the explosion. If the situation had been reversed and the explosion had been caused by the fire the entire loss would have been paid by the fire policy.

This problem can be solved by attaching the Extended Coverage Endorsement or by purchasing separate Explosion insurance, preferably in the

same company which carries the fire.

QUESTION: *What are the main advantages of a blanket bond over a schedule bond?*

ANSWER: A blanket bond eliminates practically all detail work. No change notices are necessary because all additions and deductions are covered automatically without any adjustment of premium. It eliminates any possible oversight on the part of the insured to cover a new employee or newly created position. The danger of underinsurance on certain employees or positions is greatly eliminated because one large blanket amount generally applies.

QUESTION: *In case of damage to electrical equipment by lightning is the insurance company liable under the fire policy?*

ANSWER: The company is liable for ensuing fire damage only.

QUESTION: *Does a fire policy cover damage caused by smoke or water in connection with a fire in an adjacent building?*

ANSWER: Yes, because the fire is directly accountable for the loss by smoke and water.

QUESTION: *Please define "compounding a felony."*

ANSWER: Any agreement made with an employee, a part of a consideration for which is a promise not to invoke the criminal law, renders you liable to a charge of compounding a felony.

QUESTION: *I operate a warehouse for the storage of grain and beans. My storage charges are secured by a lien on the property in my possession. If this property should be destroyed I would probably be unable to collect these charges because the security has been destroyed. Can I protect myself against such a loss?*

ANSWER: The coverage known as Accrued Warehouse Charges will provide this protection. It can be written to cover charge for space occupied by goods stored, advance freight or transfer charges, cartage or other charges paid by a warehouseman on behalf of the storer and which is a part of his charge for handling and storage.

QUESTION: *In calculating the rate for a Personal Property Floater may credit for coinsurance be allowed?*

ANSWER: Where the rates of the respective fire organizations having jurisdiction over the location involved provide an 80 per cent coinsurance rate, this 80 per cent rate, plus the loading charge for the territory involved, may be used in computing the premium for the policy.

QUESTION: *Are bad debts considered as an expense collectible under a Use and Occupancy policy?*

ANSWER: No. In accounting practice bad debts represent income never received. In other words, they should be considered as a deduction from gross sales rather than as an expense. Unless sales are made there will be no bad debts. A concern which is not operating will therefore not suffer an "actual loss" of bad debts. They should therefore not be insured.

QUESTION: *What is the necessary value of property at risk before a Furriers' Customers policy is eligible for merit rating?*

ANSWER: A resolution was adopted by the I. M. U. A. on October 20, 1938, that a merit or judgment rating of risk is applicable to all accounts involving values of at least $50,000.

Industries' Tax Burden Studied

Taxes in industrial corporations in 1937 equaled 53 per cent of corporate net income after taxes, according to a report issued today by the National Association of Cost Accountants. In this report, based on data supplied by treasurers, controllers and accountants associated with 717 industrial corporations, it is pointed out that, while the total tax revenues of federal, state and local governments in 1937 amounted to over one-fifth of national income for that year, the tax burden on industrial companies was even greater, amounting in 1937 to one-third of corporate income before the taxes were deducted. This study also disclosed that direct corporate taxes in 1937 amounted to 18.5 per cent of total direct labor payrolls and 3.4 per cent of sales prices for the reporting companies. Figures from a smaller group of companies showed 1937 taxes amounting to 67.3 per cent of dividends paid to stockholders.

In addition to information on the extent of tax payments by industrial companies, the N. A. C. A. report deals with the extent to which tax information is made available in the accounts, the current practice in including taxes in costs, and a review of methods in use for making information on taxes more meaningful.

Roster of NACM Officers Directors, Committees

(*Continued from page* 43)

E. N. Paul, Consumers Power Co., Jackson, Mich.
R. N. Smith, Tennessee Enamel Mfg. Co., Nashville, Tenn.
J. A. McBrien, Jordan Stevens Co., Minn., Minn.
W. P. Petersen, Petersen Paper Co., Davenport, Iowa.
J. J. Jacobs, Hutchinson Ice Cream Co., Cedar Rapids, Iowa.
Stanley Hilburger, Fairbank Morse, Omaha, Nebr.
A. L. Podrasnik, Times Publishing Corp., Chicago, Ill.
G. N. Burridge, Hoberg Paper Mills, Green Bay, Wis.
A. C. Braunig, Louisiana Paper Co., Shreveport, La.
J. F. Miller, Wayne Candies, Fort Wayne, Ind.
O. E. Dreutzer, Alms & Doepke Co., Cincinnati, Ohio.
Harry A. Pecher, Skinner & Kennedy Stationery Co., St. Louis, Mo.
J. G. Dean, Graybar Electric Co., Kansas City, Mo.
E. L. Blaine, Jr., Western Vice Chairman, Peoples National Bank of Washington, Seattle, Wash.
C. A. Sondhaus, National Lead Co., San Francisco, Calif.
George E. Bozeman, D. C. Crowell & Co., El Paso, Texas.
H. H. Gloe, Morrison Merrill & Co., Salt Lake City, Utah.
Fred A. Cates, Pillsbury Flour Mills, Los Angeles, Calif.

CREDIT METHODS AND PRACTICES

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J. G. Holland, Moore-Handley Hdwe. Co., Birmingham, Ala.
Chas. Johnston, Williams & Co., Inc., Pittsburgh, Pa.

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F. H. Eichler, Federated Metals Div., American Smelting & Refining Co., San Francisco, Calif.
R. C. Wilson, First National Bank, Salt, Lake City, Utah.

Managers of Credit Interchange Bureaus

G. P. Horn, Omaha Assn. of Credit Men, Omaha, Nebr.
C. P. King, Seattle Assn. of Credit Men, Seattle, Wash.
Orville Livingston, St. Louis Assn. of Credit Men, St. Louis, Mo.

CREDIT EDUCATION

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E. E. Schoen, Rex Oil Company, St. Paul, Miss.
E. N. Allen, Tootle-Campbell Dry Goods Co., St. Joseph, Mo.
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W. G. Nelson, Live Stock National Bank of Sioux City, Sioux City, Iowa.

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F. Dunning, Yale & Towne Mfg. Co., New York, N. Y.
N. H. F. McLeod, Parke, Davis & Co., Detroit, Mich.

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G. P. Reinberg, White Laboratories, Inc., Newark, N. J.
Wm. H. Schmidt, Morse & Rogers, New York, N. Y.
E. M. Shapiro, California Packing Corp., San Francisco, Calif.
G. F. Shaw, Henry K. Wampole & Co., Inc., Philadelphia, Pa.
F. J. Squires, The Sherwin-Williams Company, Newark, N. J.
C. B. Taylor, U. S. Rubber Export Co. Ltd., New York, N. Y.
A. S. Williams, Pacific Mills, New York, N. Y.

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Josephine Hunt Hayes (Mrs.), Federation of Mutual Fire Insurance Companies, Chicago, Ill.
Mrs. Lula C. Dickerson, Proehling & Robertson, Inc., Richmond, Va.
Miss Marcella Brosky, Carnegie Coal Co., Pittsburgh, Pa.
Miss Ivy Wallace, Shaw Supply Company, Seattle, Wash.
Miss M. J. Heady, Secretary, National Assn. of Credit Men, 33 S. Clark St., Chicago, Ill.

PUBLICATION

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H. S. Ensign, The Grit Printery, Wichita, Kans.
R. L. Simpson, C. T. Patterson Co., Inc., New Orleans, La.

Store Arrangement Is Subject of Study

"Store Arrangement Principles" a publication just released by the Department of Commerce is the first in a series of reports designed to be of assistance to the small business man in the retail field.

This report points out that the arrangement of stock and display of goods in retail stores has undergone progressive change as dealers have developed ways to afford the customer maximum opportunity to shop satisfactorily while making best use of the space at their disposal. Rules have grown up around store arrangement problems over the years, but store arrangement still is, as it always has been, a means for most profitably presenting to a buying public the various goods that are carried in stock.

It is further pointed out that while there may be more important problems facing retailers today than the problem of store layout, marketing studies show that many of the retailers' problems can be solved in part by improvements in store layout.

There is practically no limit to the number of things that can be done in store layout, and there is likewise unlimited opportunity for the merchant who chooses to experiment; but it is good business to limit experiments in store layout to include only those features that have been found to be successful in selling particular kinds of goods.

The report outlines the conditions governing the basic use of space in retail stores, shows that the essential problems and solutions are generally similar in most kinds of business, and attributes similarity to the likeness of available properties.

This Month's Collectors

A Series of Four Letters Used to Collect an Account Within Two Months Span

Submitted by M. Clamage, National Chemical & Mfg. Co., Chicago, Ill.

Formal Reminder of Past Due Invoice

September 8th, 1938

Whosis Hardware Co.,
Dublin,
Georgia.

Gentlemen:

We are enclosing statement of your account as of September 1st, showing an open past due item, as follows:

Our invoice July 1st of $39.30

An early remittance will be very much appreciated.

Very truly yours,
NATIONAL CHEMICAL & MFG. CO.
BY

MC:MA
Enclosure

Notice of Intent to Draw Sight Draft Through Bank

October 5th, 1938

Whosis Hardware Co.,
Dublin,
Georgia.

Gentlemen:

We are enclosing statement of your account as of October 1st, showing a past due balance of $70.40. On September 8th we reminded you that our invoice of July 1st was past due at that time, and an early remittance will be very much appreciated.

We have found that some of our customers prefer to take care of their accounts by having us draw on them through their bank. We are dating this correspondence ahead to October 10th and if your remittance isn't received by then we shall send our Sight Draft to your bank and ask that you kindly arrange to honor it promptly upon presentation.

Very truly yours,
NATIONAL CHEMICAL & MFG. CO.
BY

MC:MA
Enclosure

Notification That Sight Draft Is Being Sent

October 17th, 1938

Whosis Hardware Co.,
Dublin,
Georgia.

Gentlemen:

Not having, as yet, received a check in payment of the past due balance on your account we are sending our Sight Draft to your bank and ask that you kindly arrange to honor it promptly upon presentation.

Please understand that your prompt payment of our draft will in no way reflect upon your credit standing or your position in your community.

Very truly yours,
NATIONAL CHEMICAL & MFG. CO.
BY

MC:MA

Final Appeal That Brought in Remittance

November 17th, 1938

Whosis Hardware Co.,
Dublin,
Georgia.

Gentlemen:

On November 3rd we advised that your account would be referred to attorneys for collection. Before we take this drastic action, we want you to have one more opportunity to either take care of this obligation or to explain why the invoice has not been paid.

As a member of the National Association of Credit Men, when we open a new account we promptly report the opening of that account to the Association. Then, from time to time, as other members of the group ask for credit information we, in turn, are asked for our experience. We are sure you will agree that where an amount as small as $70.40 is involved it certainly isn't good business for you to permit this black mark against your name, so send us a check by return mail or write and tell us when a check may be expected.

It isn't a crime to owe money, nor is it a crime not to be in a position to take care of an honest obligation. It isn't fair, though, when credit is extended and a creditor asks for his money, to just ignore the matter.

We are setting our files ahead to the day after Thanksgiving, when we hope we may receive your check in the mail and, thus, be able to write and say, "Thank You".

Very truly yours,
NATIONAL CHEMICAL & MFG. CO.
BY

MC:MA

Index of 1938 Articles

The following Articles Appeared in Credit and Financial Management During Year Just Closed

New This Year

A new section devoted to NACM affairs will be a feature in our national magazine this year.

Members' Bulletin is in this new section this month starting on Page 33.

The business thermometer:

Manufacturers:

Manufacturers' sales during November 1938 increased 4 percent over last November according to reports from 1,616 manufacturers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce.

Total sales of this group of firms during November of this year amounted to 303 million dollars as compared with a sales volume of 293 million dollars in November of last year and 317 million dollars during October 1938.

November was not only the first month during 1938 during which a sales increase was recorded over the same month of last year but also registered more favorable sales comparison with November of the previous three years than was the case in previous months of 1938.

This is well illustrated by the percentage changes from 1935, 1936, and 1937 recorded in October and November. While October sales were down 12 percent from October 1937, sales during November showed a 4 percent increase. October 1938 sales were down 9 percent from October 1936, but sales during November of this year were down only 2 percent on this comparison. Although October sales were up 6 percent above the level of October 1935, sales during November of this year were 14 percent above November of that year.

Of the 15 lines of industry for which data are shown separately, 9 showed sales increases over last November. Notably large increases were recorded by the Leather and Its Products group with an increase of 24 percent and the Textile Products group, with a sales increase of 17 percent. The largest decreases were recorded by the Machinery group and the Motor-Vehicle Parts Industry, sales in each of these industries declining 10 percent.

The rate of collections on accounts receivable outstanding was 82 percent this November as compared with 80 percent during November of last year. This was the first month of 1938 during which the rate of collections on accounts receivable outstanding exceeded the rate for the corresponding month of 1937.

The total volume of accounts receivable outstanding on November 1, 1938 was 9 percent under the level on the same date last year. This was a very much more favorable comparison than was the case at the end of October when receivables were down 15 percent from October 1, 1937.

Wholesalers:

The dollar volume of wholesale trade during November declined about 2 percent from November 1937 according to reports from 2,600 wholesalers cooperating in the monthly joint study of the National Association of Credit Men and the

MANUFACTURERS' sales and collections on accounts receivable, November 1938

Industry	Dollar Sales: Number of firms reporting sales	Dollar Sales: Percent change Nov. 1938 from Nov. 1937	Dollar Sales: Percent change Nov. 1938 from Oct. 1938	Dollar Sales: Nov. 1938 (000's)	Number of firms reporting credit data	Collection Percentages*: Nov. 1938	Collection Percentages*: Nov. 1937	Collection Percentages*: Oct. 1938	Total Accounts Receivable: Percent change Nov. 1, 1938 from Nov. 1, 1937	Total Accounts Receivable: Percent change Nov. 1, 1938 from Oct. 1, 1938	Total Accounts Receivable: As of Nov. 1, 1938 (000's)
Food and kindred products, total	396	+ 0.8	— 1.7	$77,087	273	128	123	133	— 5.3	— 3.2	$48,800
Confectionery	197	— 3.7	+ 9.0	22,198	100	134	132	138	—11.3	—11.6	8,011
Flour, cereals and other grain mill products	32	—17.2	— 9.2	9,063	27	138	146	142	—16.4	— 5.6	4,142
Meat packing	27	— 1.6	— 6.0	6,797	23	186	190	200	— 2.7	— 3.0	3,411
Distilled liquors	7	+ 4.2	+34.2	5,984	7	110	83	111	—26.9	+12.5	4,180
Malt liquors	12	+ 1.4	—12.5	5,321	9	153	132	157	— 8.9	— 7.5	3,460
Wine	18	— 2.9	+ 2.3	1,027	14	63	71	67	— 2.2	+ 6.9	1,295
Other food products	103	+13.3	— 8.9	26,697	93	120	116	123	+ 5.3	— 1.8	23,482
Textiles and their products, total	116	+16.9	— 9.7	18,600	107	66	62	70	—12.7	— 4.2	29,751
Clothing, men's, except hats	30	+12.0	—15.4	2,982	27	57	51	62	—19.8	— 1.3	5,452
Clothing, women's, except millinery	22	+11.1	—15.7	1,223	20	73	70	71	—18.8	—11.8	2,079
Knit goods	10	+ 2.6	+11.1	2,614	10	70	67	71	— 8.4	+ 2.9	3,327
Other textile products	54	+22.7	—11.2	11,781	50	67	64	72	—10.3	— 5.3	18,893
Forest products, total	72	— 2.3	— 7.8	4,079	66	65	66	66	—15.7	— 0.3	5,982
Furniture	39	— 1.8	— 5.4	2,579	35	58	59	59	—16.5	+ 2.1	4,025
Lumber, timber, and other miscellaneous forest products	33	— 3.1	—11.6	1,500	31	78	79	78	—14.1	— 4.8	1,957
Paper and allied products, total	85	+ 9.9	— 4.4	12,070	72	97	93	100	— 3.1	+ 2.7	11,632
Paper, writing, book, etc	27	+24.5	+ 2.3	3,747	19	92	87	99	+ 2.6	+ 3.0	3,351
Paper, boxes and other paper products	58	+ 4.4	— 7.2	8,323	53	98	95	101	— 5.2	+ 2.6	8,281
Printing, publishing and allied products	69	— 3.5	— 2.9	2,690	63	69	69	67	— 6.3	— 1.1	4,124
Chemicals and allied products, total	136	+ 7.7	— 8.2	14,880	123	70	70	74	— 0.6	— 2.2	20,926
Paints and varnishes	66	+ 0.6	—17.1	3,312	62	54	57	57	— 5.1	— 2.9	6,956
Pharmaceuticals and proprietary medicines	24	+ 7.6	—29.0	1,717	22	59	56	74	— 5.2	+16.0	2,939
Other chemical products	46	+10.3	+ 0.6	9,851	39	83	83	83	+ 3.8	— 5.8	11,031
Petroleum	18	+12.5	+ 0.6	49,044	15	108	112	110	—13.4	— 2.2	30,662
Rubber products	14	+13.1	—10.5	3,125	13	61	58	64	— 4.0	+ 1.4	5,410
Leather and its products, total	108	+24.0	—13.9	18,457	95	54	49	57	— 3.2	—14.2	42,568
Boots and shoes	41	+25.5	—16.2	11,368	37	46	43	50	— 4.1	—16.8	34,326
Leather: tanned, curried, and finished	41	+22.3	—11.0	6,119	36	84	78	91	+ 1.4	— 0.9	7,105
Other leather products	26	+17.4	— 3.5	970	22	79	79	76	— 3.5	— 5.2	1,137
Stone, clay and glass products	52	— 5.6	—22.0	8,444	47	81	81	84	—10.4	— 0.1	11,732
Iron and steel and their products, total	166	+ 1.0	+ 2.1	33,691	154	90	86	87	—16.1	— 3.2	35,296
Hardware	17	+11.1	— 9.5	2,717	16	79	54	78	+ 0.6	+ 0.5	3,787
Stoves, ranges, steam heating apparatus	19	— 9.4	—23.8	1,973	19	68	67	76	—26.6	—13.4	3,482
Other iron and steel products	130	+ 0.9	+ 5.8	29,001	119	95	89	90	—16.4	— 2.2	28,027
Non-ferrous metals and their products, total	48	— 1.6	—11.7	10,557	45	65	65	72	— 0.1	+ 9.6	16,003
Jewelry and jewelers' supplies	24	+ 1.7	—15.7	4,931	22	57	58	68	— 0.2	+19.0	7,669
Other non-ferrous metals	24	— 4.2	— 8.0	5,626	23	72	72	75	0.0	+ 2.2	8,334
Machinery, not including transportation equipment, total	225	—10.4	— 2.3	35,848	194	62	65	59	—15.5	— 0.6	49,574
Electrical machinery, apparatus and supplies	96	— 1.9	+ 0.2	24,713	83	63	67	59	—11.1	— 0.1	35,206
Other machinery, apparatus and supplies	129	—25.0	— 7.3	11,135	111	61	63	61	—24.7	— 1.7	14,368
Motor-vehicle parts	45	—10.0	+ 7.7	5,189	41	79	84	76	—22.4	+ 5.4	6,502
Miscellaneous industries	66	+11.9	—11.6	9,476	58	76	72	77	+ 3.1	+ 4.7	12,346
Total	1616	+ 3.6	— 4.3	303,237	1,364	82	80	83	— 9.3	— 2.9	330,588

*Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

Bureau of For. and Dom. Comm.

Total sales of the reporting group during November amounted to 204 million dollars as compared with 208 million dollars for November last year and 211 million dollars in October 1938.

The improved sales conditions prevailing in wholesale trade during November are reflected in the percentage comparisons with the last 3 years. Whereas October sales were down 9 percent from October 1937, November sales were down 2 percent from last November. October 1938 sales were down 13 percent from October 1936, but November sales were down 5 percent from November of that year. October 1938 sales showed no change from October of 1935, but sales during November of this year were 5 percent above the November 1935 level.

The rate of collections on accounts receivable during November was slightly above November, 1937. Collections during November amounted to 70 percent of the total accounts receivable outstanding at the beginning of the month, while the corresponding ratio for last November was 69 percent. This is the first month of this year during which the collection rate exceeded the corresponding month of 1937.

WHOLESALERS' sales and inventories, November 1938

Kind of Business	Dollar Sales				End of Month Inventories (Cost)				Stock-Sales Ratios#		
	Number of firms reporting sales	Percent change Nov. 1938 from		Nov. 1938 (000's)	Number of firms reporting stocks	Percent change Nov. 1938 from		Nov. 30, 1938 (000's)	Nov. 1938	Nov. 1937	Oct. 1938
		Nov. 1937	Oct. 1938			Nov. 1937	Oct. 1938				
Automotive supplies	153	+ 7.4	− 3.0	$3,464	56	− 6.8	− 1.5	$2,790	233	259	239
Chemicals	11	+ 8.8	− 1.0	605	7	− 2.3	− 0.3	300	72	86	70
Paints and varnishes	26	− 8.5	−21.2	260	7	− 2.1	− 2.7	322	370	374	309
Clothing and furnishings, except shoes	26	+ 4.1	−16.5	1,832	11	−19.5	−11.1	802	205	266	211
Shoes and other footwear	37	+26.4	− 4.5	11,249	22	−18.0	+ 3.1	5,408	141	203	113
Coal	12	−11.9	+ 0.3	2,908	4	− 7.1	+ 2.5	2,003	88	85	83
Drugs and drug sundries##	133	− 3.1	− 0.5	20,434	103	− 8.1	− 0.4	33,257	211	219	212
Dry goods	110	+ 7.2	− 5.7	12,037	68	−22.8	− 9.8	15,403	186	257	193
Electrical goods	320	−14.6	+ 3.1	15,927	278	−34.6	− 1.5	19,277	136	177	143
Farm products (consumer goods)	60	−23.2	− 3.1	4,391	37	− 6.3	− 5.6	1,550	72	69	72
Farm supplies	8	−14.8	+10.0	329	4	− 1.7	+18.8	341	258	208	211
Furniture and house furnishings	42	+ 2.6	− 8.1	3,300	20	−25.1	+ 4.0	4,656	231	332	206
Groceries and foods, except farm products	669	− 3.2	− 1.0	53,548	351	− 8.5	+ 0.7	49,787	158	167	156
Meats and meat products	40	+ 8.3	−12.8	10,154	25	− 3.5	+ 0.3	1,125	47	48	47
Wines and spirituous liquors	16	+ 0.3	+16.0	1,560	9	+ 1.7	+ 3.8	1,853	168	158	177
Total hardware group	423	− 3.0	− 9.2	28,324	265	−11.1	− 2.7	50,736	262	281	245
General hardware	155	+ 0.4	− 6.5	18,462	94	−12.6	− 3.2	35,027	272	308	261
Heavy hardware	23	−12.3	−13.1	1,345	16	− 2.9	− 0.2	2,959	334	290	296
Industrial supplies*	130	−10.1	− 9.4	4,484	82	−10.7	− 0.9	7,962	259	249	238
Plumbing and heating supplies	115	− 6.3	−18.5	4,033	73	− 4.3	− 3.3	4,788	192	189	164
Jewelry and optical goods	53	− 7.8	− 3.7	2,359	28	−22.9	− 4.4	3,789	282	321	288
Lumber and building materials	37	−11.6	−13.1	1,969	22	− 4.3	− 1.7	2,320	163	148	141
Machinery, equipment and supplies, except electrical	38	−16.6	+ 7.5	1,605	22	−23.3	− 3.1	3,689	310	319	354
Surgical equipment and supplies	34	− 4.5	− 2.6	599	21	− 2.5	+ 0.6	889	201	200	199
Metals	23	− 1.8	−12.3	1,176	17	−36.4	− 7.1	1,897	232	327	219
Paper and its products	74	− 2.6	− 3.3	4,101	33	−13.2	+ 1.5	3,304	173	196	156
Petroleum	14	− 0.7	− 9.7	2,517	9	− 8.6	− 0.1	1,574	68	72	61
Tobacco and its products	196	+ 1.2	+ 2.9	13,003	67	− 3.5	+20.4	2,997	56	58	49
Leather and shoe findings	11	− 0.4	−15.8	256	—	—	—	—	—	—	—
Miscellaneous	39	+ 9.2	+ 8.1	6,315	26	− 3.0	− 8.5	5,769	132	140	149
Total	2,605	− 1.8	− 3.1	204,222	1,512	−14.4	− 1.5	215,838	174	195	171

*This heading also includes distributors of mill, mine and steam supplies.
—Insufficient data to show separately.
#These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.
##Total Sales, including liquors, wines, etc.

WHOLESALERS' accounts receivable and collections, November 1938

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		Nov. 1938	Nov. 1937	Oct. 1938	Percent change November 1, 1938 from		As of Nov. 1, 1938 (000's)
					Nov. 1, 1937	Oct. 1, 1938	
Automotive supplies	112	62	66	62	+ 4.3	+ 7.0	$3,788
Chemicals	11	81	79	79	+ 8.8	− 0.8	719
Paints and varnishes	25	47	56	49	− 0.9	− 3.0	550
Clothing and furnishings, except shoes	26	43	46	47	−19.0	− 3.4	5,051
Shoes and other footwear	34	45	42	52	−12.3	−16.1	11,221
Coal	12	69	74	66	− 9.9	+ 9.4	4,127
Drugs and drug sundries	120	68	70	70	− 2.3	+ 2.8	25,286
Dry goods	99	48	45	46	−13.0	− 0.5	23,406
Electrical goods	295	65	64	65	−22.0	− 2.2	22,071
Farm products (consumer goods)	50	123	126	120	−12.1	0.0	2,717
Farm supplies	6	85	104	65	−13.1	− 7.7	313
Furniture and house furnishings	38	54	52	55	−18.0	+ 0.5	5,742
Groceries and foods, except farm products	519	96	97	98	− 5.6	− 0.7	42,851
Meats and meat products	30	179	167	200	− 2.7	−11.8	5,353
Wines and spirituous liquors	13	79	85	78	− 4.1	− 0.3	1,417
Total hardware group	393	54	55	54	−10.0	+ 0.1	50,132
General hardware	141	52	51	52	− 9.8	− 1.0	33,526
Heavy hardware	23	62	66	62	− 9.5	+ 2.4	2,305
Industrial supplies**	117	60	66	60	−16.2	+ 2.0	6,634
Plumbing and heating supplies	112	57	59	59	− 8.6	+ 2.8	7,667
Jewelry and optical goods	42	15	15	19	−14.2	+16.6	5,588
Lumber and building materials	36	64	67	66	− 9.8	+ 1.6	3,232
Machinery, equipment and supplies, except electrical	30	52	54	50	−28.5	−10.4	2,468
Surgical equipment and supplies	31	41	43	44	+ 1.4	+ 3.8	1,244
Metals	21	73	66	76	−22.8	− 6.0	1,665
Paper and its products	60	65	64	65	− 8.8	− 1.9	5,339
Petroleum	11	87	88	89	− 3.1	− 0.4	2,296
Tobacco and its products	119	114	119	119	+ 2.7	+ 1.4	7,194
Leather and shoe findings	10	55	59	54	− 2.2	− 4.3	449
Miscellaneous	35	92	82	86	− 6.6	+ 0.7	6,315
Total	2,178	70	69	71	−10.2	− 0.9	240,534

*Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.
**This heading also includes distributors of mill, mine and steam supplies.

WHOLESALERS' sales and inventories, by geographic regions, November 1938

Kind of Business and Region	Dollar Sales				End of Month Inventories (Cost)				Stock-Sales Ratios‡		
	Number of firms reporting sales	Percent change Nov. 1938 from: Nov. 1937	Percent change Nov. 1938 from: Oct. 1938	Nov. 1938 (000's)	Number of firms reporting stocks	Percent change Nov. 1938 from: Nov. 1937	Percent change Nov. 1938 from: Oct. 1938	Nov. 30, 1938 (000's)	Nov. 1938	Nov. 1937	Oct. 1938
New England	154	− 0.5	− 4.1	$11,868	88	−11.5	+ 1.7	$8,895	145	154	132
Drugs and drug sundries	7	+ 0.8	+ 0.1	900	6	− 8.5	+ 0.2	1,470	186	199	186
Electrical goods	33	−17.6	−19.1	1,107	28	−30.1	+ 6.4	1,540	144	169	109
Groceries and foods, except farm products	30	− 3.2	− 3.6	2,363	15	− 7.3	− 1.9	1,219	174	182	171
General hardware	6	+ 5.1	−18.3	187	—	—	—	—	—	—	—
Industrial supplies*	17	− 4.0	− 6.5	406	11	− 7.3	+ 0.4	893	317	325	290
Plumbing and heating supplies	8	− 0.4	− 9.7	271	4	−11.8	+ 1.5	417	217	249	193
Tobacco and its products	17	+ 1.5	+ 0.7	2,088	6	+ 9.6	+13.0	182	34	33	33
Middle Atlantic	517	− 5.5	− 3.8	42,740	279	−13.2	+ 0.2	32,848	149	161	146
Automotive supplies	20	+ 7.5	+15.9	700	8	− 7.8	+ 1.3	564	201	244	251
Clothing and furnishings, except shoes	8	+ 0.3	−21.5	1,169	—	—	—	—	—	—	—
Shoes and other footwear	11	+45.9	−16.3	604	4	+20.9	+ 7.3	1,123	250	293	192
Drugs and drug sundries	22	− 2.1	− 2.7	4,363	18	− 7.7	+ 0.9	4,940	160	168	156
Dry goods	34	+ 2.8	− 2.9	3,412	20	−21.3	− 5.7	3,427	220	270	223
Electrical goods	67	−19.5	+ 1.0	3,207	58	−33.9	+ 6.3	3,646	125	151	119
Farm products (consumer goods)	7	−43.8	− 5.0	1,652	4	+ 5.3	−20.7	237	66	35	83
Furniture and house furnishings	7	+ 2.4	− 3.8	511	—	—	—	—	—	—	—
Groceries and foods, except farm products	87	− 4.1	− 1.7	8,191	30	− 9.4	+ 0.6	3,582	140	147	140
General hardware	30	− 1.0	− 6.8	2,083	12	−14.9	− 2.1	2,515	275	332	259
Heavy hardware	9	− 5.4	− 9.0	383	5	− 3.3	− 1.0	712	304	289	286
Industrial supplies*	36	−15.2	−19.6	1,051	24	−17.3	− 1.2	1,883	240	241	186
Plumbing and heating supplies	44	−14.5	−24.5	988	30	− 7.8	− 4.0	1,272	176	159	135
Jewelry and optical goods	19	− 9.1	− 2.6	849	10	−16.7	− 2.6	1,947	317	335	326
Lumber and building materials	9	−24.8	−16.1	548	—	—	—	—	—	—	—
Paper and its products	19	− 0.6	− 5.5	1,406	7	−16.1	+ 2.9	1,023	126	162	118
Petroleum	6	− 4.7	− 7.1	524	4	− 5.8	− 0.5	211	43	44	40
Tobacco and its products	45	− 3.5	+ 4.3	3,298	20	− 7.7	+25.4	1,322	62	65	54
East North Central	476	− 8.0	+ 1.0	36,218	281	−19.6	− 2.3	42,111	170	195	179
Automotive supplies	29	+ 0.2	− 6.4	539	9	− 6.8	− 2.3	648	281	297	282
Paints and varnishes	9	−17.5	−22.0	99	—	—	—	—	—	—	—
Drugs and drug sundries	19	−13.0	+ 1.5	2,390	12	−18.7	− 3.4	2,940	178	185	190
Dry goods	11	+ 0.2	− 0.4	1,216	8	−18.8	− 9.8	2,086	183	228	202
Electrical goods	54	−17.6	+16.7	4,291	50	−35.7	− 4.4	4,349	122	158	155
Farm products (consumer goods)	12	− 1.1	0.0	263	8	−13.1	+ 1.3	159	79	88	77
Groceries and foods, except farm products	100	− 6.8	+ 1.6	10,539	56	−13.1	+ 0.4	11,056	172	191	179
Meats and meat products	11	− 7.8	+ 9.0	1,141	11	−11.3	− 2.2	449	39	41	44
General hardware	22	− 7.1	− 0.6	3,874	19	−20.3	− 4.0	8,893	243	282	251
Industrial supplies*	25	−29.0	− 5.2	1,119	17	−13.8	− 0.9	2,439	263	213	254
Plumbing and heating supplies	17	− 9.0	−18.2	766	9	− 4.9	− 3.6	960	245	242	205
Jewelry and optical goods	18	− 9.8	− 4.3	698	10	−35.6	− 9.6	956	215	301	234
Lumber and building materials	10	−21.6	−17.5	472	5	−14.7	− 5.4	423	165	161	143
Machinery, equipment and supplies, except electrical	6	−20.7	−14.5	165	4	−14.3	− 1.6	126	197	128	147
Surgical equipment and supplies	7	− 5.9	+ 2.1	239	4	−11.0	+ 1.2	258	138	148	137
Metals	12	−11.4	−12.5	679	8	−42.4	− 4.4	1,035	272	330	248
Paper and its products	22	− 5.7	− 1.0	1,533	13	−18.4	− 1.1	1,035	167	180	157
Tobacco and its products	55	+ 6.0	+ 1.3	3,263	14	− 2.1	+23.9	893	66	69	54
West North Central	314	+ 5.1	− 5.3	30,561	205	−16.0	− 4.0	37,671	177	215	177
Automotive supplies	16	+ 6.9	−18.5	514	5	− 6.8	− 1.1	368	231	226	196
Clothing and furnishings, except shoes	6	+ 0.5	−12.9	189	4	−30.8	− 3.5	247	369	510	259
Drugs and drug sundries	16	+ 0.1	− 2.8	2,333	14	−10.0	− 4.7	4,059	200	225	206
Dry goods	10	+ 9.2	− 4.0	2,254	9	−28.3	−11.4	3,573	165	252	178
Electrical goods	36	−14.8	− 0.2	1,310	33	−40.5	−13.5	1,797	143	205	166
Farm products (consumer goods)	8	+ 2.3	+ 8.4	349	6	−12.9	−11.7	189	63	75	79
Furniture and house furnishings	11	+ 7.8	− 5.1	1,406	8	−29.9	+ 2.1	2,213	221	357	207
Groceries and foods, except farm products	99	+ 3.7	+ 2.4	7,249	64	− 9.3	0.0	10,413	178	205	184
General hardware	13	+ 3.8	− 7.7	3,321	12	− 6.2	− 6.1	7,824	246	271	240
Industrial supplies*	13	+10.4	− 9.6	444	8	− 8.3	+ 0.9	575	213	268	213
Plumbing and heating supplies	13	+ 2.8	−14.5	556	7	+ 3.2	− 5.8	1,024	242	249	226
Jewelry and optical goods	7	− 9.3	+ 1.4	223	5	− 6.2	− 2.4	563	420	385	421
Tobacco and its products	15	− 2.1	+ 4.4	706	6	− 4.8	− 0.6	180	50	51	52
South Atlantic	315	− 2.9	− 5.3	17,065	165	−13.7	− 1.4	16,886	170	190	162
Automotive supplies	6	+15.7	−15.9	243	4	− 2.7	−13.4	71	151	215	186
Shoes and other footwear	6	+29.6	−34.6	705	4	−25.8	−12.2	983	157	279	116
Drugs and drug sundries	23	−13.4	− 3.8	1,994	16	− 3.6	+ 0.6	3,770	254	218	240
Dry goods	10	− 2.4	− 6.4	1,006	5	−31.8	− 9.2	834	195	287	194
Electrical goods	48	− 3.0	+12.3	2,005	40	−34.3	+ 0.6	2,224	127	187	145
Farm products (consumer goods)	8	− 4.4	+ 0.3	351	4	+15.1	+ 3.4	61	33	28	33
Groceries and foods, except farm products	103	− 6.0	− 1.6	4,530	33	−12.0	− 1.4	2,800	156	169	157
General hardware	28	− 0.8	−11.5	1,636	15	− 2.7	− 0.5	2,776	332	327	290
Industrial supplies*	16	+ 3.2	− 3.3	386	10	− 2.1	− 1.0	661	213	229	209
Plumbing and heating supplies	18	− 2.9	−13.4	675	14	− 2.5	+ 0.2	536	127	129	114
Paper and its products	9	− 5.9	− 9.0	334	4	−16.6	+ 0.9	351	206	226	174
Tobacco and its products	18	+ 4.7	+ 4.4	1,011	6	+ 0.8	+10.1	131	62	64	55
East South Central	157	+ 5.7	− 5.0	9,608	82	−13.2	− 1.9	10,672	174	211	168
Drugs and drug sundries	13	− 2.9	− 3.8	1,143	9	− 3.2	− 1.1	2,063	216	214	211
Dry goods	14	+26.4	−12.8	1,545	8	−23.0	− 9.5	1,758	141	235	136
Electrical goods	15	+ 2.4	+ 1.3	629	12	−30.2	− 0.6	718	133	206	136
Groceries and foods, except farm products	54	− 2.7	− 1.8	2,527	20	− 5.4	0.0	2,104	162	171	157
General hardware	14	+15.4	− 5.5	1,870	7	−17.4	− 4.3	2,103	239	307	244
Industrial supplies*	6	+ 1.2	− 7.4	163	—	—	—	—	—	—	—
Paper and its products	6	+ 5.3	+ 9.3	200	—	—	—	—	—	—	—
West South Central	249	− 1.5	− 1.8	16,290	169	−10.5	− 2.4	24,534	221	237	222
Drugs and drug sundries	19	− 4.4	+ 0.6	2,627	16	− 1.0	− 0.2	6,124	256	246	259
Dry goods	9	+ 7.8	− 5.7	1,400	8	−18.8	−13.0	2,640	212	276	227
Electrical goods	26	−12.1	− 0.5	848	20	−38.4	− 5.5	1,091	146	213	153
Groceries and foods, except farm products	128	− 3.4	− 2.6	7,004	91	− 3.2	+ 0.4	8,673	190	183	179
General hardware	15	+ 8.5	− 0.9	1,702	10	− 8.4	− 0.9	2,253	234	296	233
Tobacco and its products	12	+ 5.5	+ 1.5	479	—	—	—	—	—	—	—
Mountain	98	− 1.9	− 3.1	6,757	66	− 5.6	0.0	8,371	181	184	173
Automotive supplies	8	+67.7	− 5.5	104	—	—	—	—	—	—	—
Drugs and drug sundries	7	+15.7	+ 2.7	982	6	+ 6.3	+ 1.8	1,072	220	214	209
Electrical goods	11	− 5.7	+ 5.6	433	8	−20.7	− 2.9	602	153	181	167
Groceries and foods, except farm products	27	+ 5.8	− 1.8	2,009	21	− 7.6	+ 1.4	2,927	195	223	187
General hardware	9	− 6.7	−15.3	853	7	− 3.1	− 0.3	1,526	313	295	252
Pacific	324	− 1.7	− 4.3	27,479	177	−13.2	0.0	33,850	184	203	174
Automotive supplies	66	+ 7.7	+ 0.3	1,278	26	− 6.6	− 1.5	1,006	239	268	240
Shoes and other footwear	6	+ 3.0	−18.9	137	5	− 6.7	− 8.8	374	302	340	266
Drugs and drug sundries	7	+ 3.1	+ 3.5	3,702	6	−13.3	+ 1.5	6,819	234	280	243
Dry goods	16	+13.0	−11.4	1,057	8	−15.9	− 8.5	952	216	268	204
Electrical goods	30	−15.3	− 6.8	2,097	29	−34.2	− 1.6	3,310	168	213	159
Farm products (consumer goods)	15	+10.5	− 7.1	1,223	8	−12.6	− 4.4	709	86	110	75
Furniture and house furnishings	9	−12.7	−11.8	462	—	—	—	—	—	—	—
Groceries and foods, except farm products	41	− 3.3	− 3.1	9,136	21	− 4.8	+ 4.0	7,013	102	101	95
Meats and meat products	6	− 4.7	+ 2.7	612	—	—	—	—	—	—	—
General hardware	18	− 1.6	− 8.9	2,936	10	−13.9	− 1.4	6,629	355	400	311
Industrial supplies*	11	+ 1.1	−25.1	179	6	− 4.5	0.0	294	330	390	253
Plumbing and heating supplies	10	+ 0.6	−22.1	538	5	− 9.2	− 3.0	256	161	200	137
Lumber and building materials	10	+32.4	+11.1	409	7	− 4.4	− 0.4	517	187	252	197
Machinery, equipment and supplies, except electrical	12	−11.6	+ 0.6	175	6	− 6.1	− 0.5	385	423	390	440
Paper and its products	6	− 1.2	−21.5	161	—	—	—	—	—	—	—
Tobacco and its products	26	− 0.2	+ 2.6	1,422	10	+ 6.6	+16.5	226	83	74	74

*This heading also includes distributors of mill, mine and steam supplies.
—Insufficient data to show separately.
‡These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, by geographic regions, November 1938

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		Nov. 1938	Nov. 1937	Oct. 1938	Percent change November 1, 1938 from Nov. 1, 1937	Percent change November 1, 1938 from Oct. 1, 1938	As of Nov. 1, 1938 (000's)
New England	135	67	67	69	— 6.2	+ 3.1	$14,621
Drugs and drug sundries	7	62	62	64	— 3.5	— 0.5	1,381
Electrical goods	31	72	71	74	— 9.6	— 0.4	1,779
Groceries and foods, except farm products	24	75	72	77	— 6.8	+ 0.1	2,595
General hardware	6	55	54	60	+ 6.0	— 4.6	373
Industrial supplies	15	59	68	58	— 0.7	— 2.2	540
Plumbing and heating supplies	7	54	53	52	— 8.2	— 3.2	450
Tobacco and its products	10	118	117	134	— 0.6	+ 3.5	1,117
Middle Atlantic	447	72	72	75	—11.4	+ 1.3	49,443
Automotive supplies	18	48	55	43	+ 7.6	+10.8	1,023
Clothing and furnishings, except shoes	8	40	42	47	—21.3	— 6.6	3,560
Shoes and other footwear	11	47	46	45	+ 5.4	—13.1	1,786
Drugs and drug sundries	21	65	68	66	— 5.4	— 1.7	5,420
Dry goods	28	53	50	53	—11.8	+ 3.1	4,733
Electrical goods	66	68	71	69	—23.3	+ 3.4	4,486
Farm products (consumer goods)	7	122	135	126	—30.4	+ 3.5	826
Furniture and house furnishings	5	56	56	49	—23.7	+ 7.8	744
Groceries and foods, except farm products	67	94	95	95	— 5.1	+ 6.0	6,393
Meats and meat products	5	163	156	186	— 8.8	—18.1	1,729
General hardware	25	43	41	43	—11.8	+ 3.0	3,686
Heavy hardware	9	62	68	61	— 9.1	+ 0.9	590
Industrial supplies	33	55	64	60	—15.1	+ 9.0	1,911
Plumbing and heating supplies	44	53	60	57	— 6.6	+ 1.9	2,182
Jewelry and optical goods	14	17	16	18	—23.5	+19.5	1,260
Lumber and building materials	9	57	66	63	—18.4	+ 3.6	1,017
Paper and its products	13	66	62	62	— 5.2	+ 3.9	1,527
Tobacco and its products	30	121	128	126	+ 1.8	+ 2.3	2,256
Surgical equipment and supplies	5	26	26	35	+ 3.7	+ 2.7	227
East North Central	403	69	69	70	—16.4	— 0.1	43,896
Automotive supplies	24	53	58	50	— 4.2	+ 2.9	594
Paints and varnishes	9	36	47	38	— 4.8	— 5.6	236
Coal	5	81	84	76	—16.7	+ 4.8	1,111
Drugs and drug sundries	16	73	82	78	— 6.7	+ 1.7	2,485
Dry goods	11	46	46	45	—14.3	+ 2.2	2,461
Electrical goods	54	60	58	60	—30.8	— 4.3	5,929
Farm products (consumer goods)	10	96	92	98	— 5.5	— 0.9	223
Groceries and foods, except farm products	78	90	91	91	—10.4	— 2.2	9,293
Meats and meat products	9	158	152	148	—16.4	— 6.0	567
Wines and spirituous liquors	5	64	72	70	—12.7	+ 8.7	349
General hardware	21	55	55	55	—14.2	— 0.5	6,835
Industrial supplies	24	68	73	65	—32.6	+ 0.7	1,667
Plumbing and heating supplies	16	60	60	62	—19.9	+ 4.7	1,398
Jewelry and optical goods	15	14	14	19	—17.5	+16.1	2,130
Lumber and building materials	9	69	68	65	—15.2	+ 1.1	739
Machinery, equipment and supplies, except electrical	5	69	82	75	—42.5	0.0	235
Surgical equipment and supplies	5	48	56	53	+11.0	+ 7.0	352
Metals	10	75	61	75	—28.7	— 4.3	935
Paper and its products	19	69	69	69	—12.3	— 0.5	2,001
Tobacco and its products	32	119	122	120	+ 6.6	+ 0.5	1,836
West North Central	263	70	66	74	— 7.9	— 3.9	41,844
Automotive supplies	12	49	59	52	+13.5	+ 4.2	774
Clothing and furnishings, except shoes	6	41	53	38	+10.9	+11.1	509
Drugs and drug sundries	15	66	69	70	+ 1.7	+ 2.7	3,387
Dry goods	10	49	44	46	—14.7	+ 6.5	4,894
Electrical goods	35	58	56	56	—17.6	— 6.7	2,426
Furniture and house furnishings	11	52	50	55	—14.1	+ 2.5	2,587
Groceries and foods, except farm products	80	110	112	115	+ 1.0	+ 3.7	5,815
General hardware	13	53	50	53	—10.8	— 4.4	6,819
Industrial supplies	11	53	57	54	+ 6.2	— 0.4	754
Plumbing and heating supplies	13	54	55	56	— 6.2	+ 5.6	1,041
Jewelry and optical goods	6	24	25	28	— 1.1	+12.4	461
Surgical equipment and supplies	5	50	51	46	— 4.1	— 2.1	142
Tobacco and its products	5	213	291	217	+17.6	+ 1.0	100
South Atlantic	241	65	67	67	— 5.4	— 0.4	19,369
Drugs and drug sundries	21	75	82	77	+ 4.3	+ 3.0	2,350
Dry goods	7	42	41	42	—17.6	— 0.1	1,689
Electrical goods	40	66	69	64	—12.3	— 0.7	2,419
Farm products (consumer goods)	7	134	126	121	— 4.8	— 7.5	197
Groceries and foods, except farm products	68	98	105	102	— 3.6	— 1.6	3,094
General hardware	28	46	47	49	— 6.5	— 0.3	3,626
Industrial supplies	13	56	56	54	— 4.8	— 1.7	632
Plumbing and heating supplies	17	57	59	61	— 3.5	— 1.4	1,256
Paper and its products	6	57	62	61	+ 7.7	+ 0.7	407
Tobacco and its products	10	81	82	81	+ 2.5	— 0.2	527
East South Central	124	59	58	61	— 9.4	— 0.6	13,298
Drugs and drug sundries	11	62	59	66	— 8.4	— 0.7	1,617
Dry goods	14	47	41	47	— 9.9	— 1.5	3,486
Electrical goods	13	61	60	67	—15.3	+ 9.5	764
Groceries and foods, except farm products	37	93	97	97	— 5.0	— 1.2	1,840
General hardware	11	50	49	52	— 3.6	+ 2.2	2,783
Industrial supplies	5	58	58	58	—13.3	— 5.5	274
Paper and its products	6	61	60	62	— 6.5	— 4.4	303
West South Central	216	65	65	66	— 9.0	— 5.4	20,152
Drugs and drug sundries	16	66	69	67	— 1.4	+ 2.7	3,316
Dry goods	9	42	40	38	—14.1	—11.0	3,912
Electrical goods	23	72	66	72	—22.1	— 9.5	1,143
Groceries and foods, except farm products	112	94	98	96	— 6.3	— 7.6	5,665
General hardware	14	50	50	52	— 2.9	+ 0.9	2,579
Paper and its products	5	62	61	65	— 4.2	— 1.5	387
Tobacco and its products	8	93	95	94	+15.1	0.0	191
Mountain	82	74	72	73	—11.0	— 3.0	6,283
Automotive supplies	5	53	62	59	+22.2	+11.1	110
Drugs and drug sundries	6	58	58	63	+ 4.6	+ 5.5	766
Electrical goods	10	67	69	71	—22.5	— 3.3	587
Groceries and foods, except farm products	22	92	84	89	— 6.2	— 2.7	1,615
General hardware	7	63	58	52	—14.3	—11.0	1,028
Pacific	267	75	74	76	— 7.2	+ 0.1	31,628
Automotive supplies	45	99	95	101	— 1.3	+ 2.5	888
Shoes and other footwear	6	42	41	42	— 8.9	— 6.4	408
Drugs and drug sundries	7	72	71	74	— 1.1	+11.9	4,564
Dry goods	14	60	52	56	— 9.3	— 4.0	1,931
Electrical goods	23	65	69	70	—17.8	— 3.4	2,538
Farm products (consumer goods)	13	118	110	114	+ 6.3	+ 2.0	992
Furniture and house furnishings	9	58	58	56	—30.4	—10.8	936
Groceries and foods, except farm products	31	105	106	106	— 4.5	— 1.0	6,541
Meats and meat products	5	183	184	176	— 7.2	— 4.7	324
General hardware	16	54	53	54	— 9.2	— 0.2	5,797
Industrial supplies**	11	53	62	62	— 3.7	— 3.4	369
Plumbing and heating supplies	10	69	69	70	+ 0.9	+ 9.4	874
Lumber and building materials	10	63	70	57	+20.9	+ 7.6	612
Machinery, equipment and supplies, except electrical	8	43	45	47	—18.3	— 3.4	259
Metals	5	73	66	76	—21.0	—10.5	282
Paper and its products	5	51	50	55	—20.6	—23.0	386
Tobacco and its products	21	99	104	101	+ 2.5	+ 1.0	1,070

*Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

**This heading also includes distributors of mill, mine and steam supplies.

STATES COMPRISING REGIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La. ,Okla. Texas); Mountain—(Ariz., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal., Ore., Wash.).